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**Ontario. Ministry of
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Remarks by the Honourable...
Treasurer of Ontario



Ministry of Treasury
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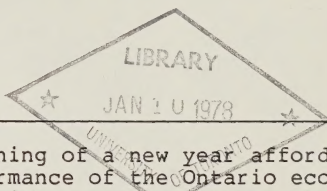
Queen's Park
Toronto Ontario

Remarks by

The Honourable W. Darcy McKeough
Treasurer of Ontario and
MPP for Chatham-Kent

to the Toronto Financial Analysts

1:00 p.m.
January 5, 1978



The beginning of a new year affords me the opportunity to review the performance of the Ontario economy in 1977, and to provide you with some thoughts on where we are going in 1978, and the role that government should be playing in getting us there.

Last spring, in introducing the 1977 Budget I said that I believed there was every reason to be optimistic about the outlook for the year. I was of the opinion that there were signs of solid strength in several sectors of the economy which would, as the year unfolded, produce positive results in terms of rising incomes and more jobs.

I was not alone in that assessment of the prospects for the Canadian and Ontario economy. The Conference Board, various banks and other forecasting services were predicting solid growth. Not all of us, I think it is fair to say, were quite prepared for the sluggish recovery south of the border, the hesitation on the part of consumers here in Canada, and the reticence of Canadian businessmen to follow through on investment intentions.

The Canadian economy got off to a strong start last year, but suffered an unexpected setback in the second quarter, largely as a result of weak export markets and slow domestic consumer sales. The uneven and sluggish performance of the economy in its recovery from the 1974-1975 recession has been unusual in comparison to any of the cyclical upturns since the war. Business and consumer expenditures have been held back by the persistence of a large reserve of excess capacity and unemployed labour and by considerable uncertainty about the nation's political and economic future. While the economy has rallied significantly over the last six months, the early pause made it near impossible to meet the targets for Ontario which I expected in my Budget outlook last spring.

As a result, when the figures are finally in, my Budget outlook for both nominal and real growth in provincial output in 1977 will undoubtedly prove to have been nearly two percentage points too high. This sluggish recovery, in turn, affected the overall rate of job creation, and the data will likely show average employment in the province last year to have been perhaps fifteen thousand jobs lower than we had anticipated. The average unemployment rate in Ontario last year moved up to just under seven per cent, reflecting not only the slower than expected rate of job creation, but also an unanticipated acceleration in labour force participation rates among women and the young.

Nonetheless, since the end of 1976 some 130 to 140 thousand new jobs have been created in Ontario. There was a good deal of strength in certain key sectors of the economy. Our manufacturing industries, key to Ontario's overall performance, outpaced the rest of the economy last year. Housing starts averaged close to the eighty thousand level, despite a substantial overhang of unsold units. Ontario exports were up nearly 13 per cent in nominal terms.

Despite the stop-start performance of the past two years, it is my view that the outlook for 1978 remains bright. There are four factors:

1. the substantial benefits of devaluation, in the form of a boost to Canadian exports and extra leverage to meet import competition are likely to be felt more fully this year;
2. the moderation of Canadian labour costs, and more particularly, unit labour costs, both relative to 1976 experience and relative to U.S. competitors will give domestic producers an extra edge;
3. a federal economic stimulation package which would shore up momentum in 1978, without dissipating in a new round of wage and price inflation, the competitive gains brought about by devaluation; and finally,
4. a comprehensive package of structural initiatives, which hopefully will emerge in the next two or three months, which will improve consumer confidence, free up resources, encourage private sector initiative and provide an environment of greater certainty in which investment decisions can be made.

Given this environment, this certainty and confidence, which I say with regret has been sorely lacking in Canada for the past two years, I expect the Canadian economy to grow at close to its longterm "potential". Unemployment rates are not likely to improve substantially, however, as labour force growth is expected to continue to maintain a pace close to the level of job creation. Most of the strength will come from increased exports and consumer spending. We will be relying heavily on the capacity of Canadian producers to take advantage of their competitive edge here in Canada and abroad. Auto sales will remain high, and Canadian mineral and metal product sales should face better markets. Consumer durables will likely experience solid growth as the buying mood among consumers improves.

Investment expenditure prospects are likely to improve markedly over the year as output growth continues to squeeze existing rates of unused capacity. Stronger demand prospects in 1979 and 1980, a significant improvement in profits this year, containment of inflation and the uncertainty associated with illusory gains in profits and inventories are likely to dispel some of the malaise of business attitudes.

In this process much will depend on the capacity of governments to lead the way in creating a climate of confidence about the future, and in coming to grips with a national economic strategy which will enable us to take advantage of our strengths as a nation, rather than dwell on our weaknesses.

A good deal of attention is now focused on the discussions that the Federal Government will be having with the provinces throughout the next two months. Out of these discussions, hopefully, will come the decisions which will guide us more quickly, and more surely, towards the prosperity which is our potential. Many of you are no doubt interested in the position that Ontario will be taking in these meetings. I would like to dwell on this subject for a moment.

First, I think I can say quite frankly to you that it will be nothing that I haven't been saying publicly for quite some time now. We all know what the problems are: in the short run, high rates of inflation and unemployment, or what is now called stagflation; in the medium and long run, freer trade, and tougher international competition and, in general, a pervasive need to achieve our economic growth primarily through much higher productivity gains than we have had in the past. These problems are more easily diagnosed than cured.

The stagflation issue is one of the most perplexing but Ontario's position on it has been extensively outlined. We know that, given the structural problems and the leakages in an open economy like our own, governments simply cannot spend their way out of unemployment. Not only are we unlikely to significantly reduce unemployment but we are almost certain to contribute to inflation and, at least for the provinces, destroy our credit worthiness and ultimately our ability to do anything. It's not much of a return on your money.

Let me make it clear, however, that I am not advocating that governments cannot do anything. But we will have to be a lot more selective and sophisticated than the broadly based fiscal policies of the past. This is true both with respect to inflation and unemployment. Furthermore, what we do now will have to deal with the root causes of our problems and not simply their manifestations. And that's where political courage is needed and absolutely necessary.

Our approach to the stagflation issue has been to acknowledge and not hide government's own culpability in respect to collective bargaining in the public sector, to regulatory interventions and to poorly designed redistribution schemes.

We are concerned about restoring some balance to public sector wage negotiations against a backdrop of unemployment in the economy. We believe that all Canadians, and not only the weak and unorganized, should share the burden of real income adjustments which food and energy price increases and currency depreciation have imposed upon our economy.

We are concerned about excessive growth of government regulation and government intervention in the food, housing and transportation sectors of our economy. These regulations often add unnecessary costs to products which impact heavily on the consumer, and inevitably are reflected in higher income demands in all sectors of the economy.

Elsewhere I have suggested that we put every regulatory aspect of our society under public scrutiny and every time it costs jobs or creates inflation, that we make sure everyone knows. We can take that further, too, and set up two processes throughout government: first, a breed of individuals whose job it is to help business cut through red tape; second, let's consider as an option, automatic deregulation of every major regulatory activity that cannot prove it has to exist for the public interest.... a form of zero base budgeting for regulators.

Finally, we are concerned with income redistribution schemes that often fail to compensate those most in need and sometimes offer incentives to voluntary idleness.

I believe these aspects of government policy have been major contributors to the stagflation phenomenon. They have reduced our fiscal capacity to stimulate and have increased our fears of generating even higher inflation if we do so. And I think those fears are well-founded.

By addressing ourselves to these structural issues I believe that we can combine our anti-inflation and employment policies to achieve stable economic growth. Indeed, I believe that policies that make a contribution to both reducing inflation and raising private sector employment are a top priority. That is why I suggested to the Federal Government that if further general fiscal stimulus was under consideration, then it should be in the form of a federal underwriting of a temporary provincial retail sales tax cut.

In Ontario we have made a substantial beginning in the painful process of restraining expenditures in the public sector. Our basic objective has been to stop the growth in the tax burden on investment and on individuals, and to reduce our competition with the private sector for both capital and human resources. Our commitment to this objective in Ontario is measured by our balanced budget target by 1981 and three years of declining expenditure growth, despite strong inflationary cost increases. And the year beginning April 1st next will show a further decline.

Nonetheless, and I've said it before, we need a national fiscal restraint program. There has never been a better time to reach a national consensus on this issue: most governments are suffering from tight revenues and expenditure pressures, and most are ready to join forces if the Federal Government would lead the way. Federal participation is essential if any program is going to work. It should be possible for us to agree for five years:

- . to keep public sector employment growth down to less than that of the general population, say, one per cent a year;
- . to restrain real growth in government capital spending, excluding energy and environmental projects to, say, two per cent a year;
- . to keep non-capital spending growth to, say, 4.5 per cent in real terms annually; and
- . to make our total tax structure fully competitive with the rates in other countries.

These are targets we suggested to Ottawa several months ago, and which we will be seeking a response to this month.

A lot of people now are talking about an industrial development policy or industrial strategy. There is no more important plank in that strategy than government spending restraint. There are in addition a number of other objectives. In particular:

- . We need a program of policy rationalization at the provincial and national levels to provide an environment conducive to industrial rationalization and demand stimulation in the private sector; and
- . We have to persuade industry, commerce and agriculture to restructure, to concentrate more of their investments and future efforts in those areas where they can match the international competition.

I have said a lot of this before but I think it's worth repeating every time I get the chance; I don't intend to miss my chance of saying it in Ottawa this month. There are a few other essentials in the strategy.

We need a competition policy that encourages, in conjunction with the private sector, reorganizing and restructuring our industrial system, a policy that provides a service to industries and companies that want to reorganize, concentrate and rationalize. We estimate that only about 21 per cent of Ontario's manufacturing employment is in fully rationalized industries. Tougher work markets are going to force us to do better than that. With a major rationalization program, I think we have to identify more specifically areas that need regrouping, and perhaps assistance in modernizing.

We are going to have to sit down at the table with industry and labour to talk restructuring, export targets, adjustment policies, retraining, capital investment and mergers. And we have to ensure that the Bureau of Competition Policy and FIRA and other government regulators don't get in the way. This is substantially a federal job. They have done the studies for all the major industrial sectors in Canada. All it needs is for the Department of Industry, Trade and Commerce, to get in gear and get down to doing something for the more than 1.7 million people who earn their living in Canada's manufacturing industries.

The GATT negotiations in Geneva will provide a major challenge and a major opportunity. Canada has no other choice but to participate and our negotiators will have to make sure we get the best bargain out of it. It is a tough world and we're going to have to be tough at the bargaining table.

To make it perfectly clear, we expect reciprocity in the tariff plan for Canada and for Ontario. Our tariff reductions must be paid for by meaningful access to foreign markets for Canadian exports. On a wide range of products, Canada should insist on a significant reduction in non-tariff barriers that impede our exports.

We need immediately, a stepped-up program of continuous monitoring of import-dumping with a faster imposition of offsetting levies and quotas. We should say frankly that we intend to beef up our monitoring process and give our negotiators in Geneva some support in this area. Other countries look after their industries and the stability of domestic markets a lot better in this regard. Our process is slow and frequently too late.

We have a lot to do at home as well. We need an adjustment assistance policy for both labour and business. It is not, however, just a matter of propping up failing industries but one of promoting mobility, retraining and reorganization for ultimate survival in a competitive world economy.

We need to re-examine the incentives for research and development to bring the full force of our talents to bear on our own unique problems and resources. And even more important is the continuing development and encouragement of corporate organizations capable of bringing Canadian inventiveness to the world market and exploiting its full potential.

We must convince Canadians that we produce an awful lot at home that we don't have to buy abroad. Part of this is a problem of salesmanship: we simply don't sell hard enough to one another. We must convince Canadians that a "Buy Canada" program doesn't have to sacrifice either price or quality. We need it for morale purposes, to strengthen our image of ourselves and to convince non-Canadians we're a technically competent, hard-working and reliable people.

We know what needs to be done and how to do it. It is up now to governments to cooperate and rationalize the policy framework. That is our objective over the next few months, and in the years ahead. What makes me an optimist about 1978 and beyond is that if we accomplish our part then it will be up to the private sector to deliver the dynamics of growth. I am an optimist because I know the private sector can, and will deliver.

Thank you very much.

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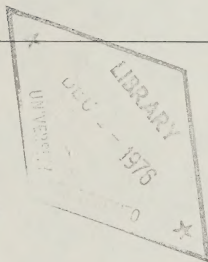
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Statements and speeches



Remarks by

The Honourable Darcy McKeough
Treasurer of Ontario
and MPP for Chatham-Kent


to the
International Association of Economics and Commerce
Students

at
Hyatt Regency Hotel
Toronto

November 26, 1976
12:00 noon

While I was considering what to talk to you about today, the Quebec election was taking place. I will have a few things to say later about the main issues raised for all Canadians by that election, but one of the things that struck me was the active involvement of students and professors in support of the Parti Quebecois. My impression is that economics students and professors were at least as heavily involved as those in other disciplines. Thinking about this occasion today, I wondered whether the students here have given, or are prepared to give, the same kind of commitment to a political principle as your counterparts in our sister province seem to have done.

I am not, incidentally, asking for a political commitment to my party, welcome though that might be. I am asking for recognition on your part that there is a role for yourselves in espousing and supporting principles and, indeed, parties; that the issues which touch our lives most closely are too complex, too vital, too sensitive to be left entirely in the hands of professionals like myself and other elected representatives or appointed officials.



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I thought that today, when the question of national unity is a preoccupation of all of us -- even though it is not the theme of this meeting as such -- I might find and use an apt quotation from Sir Wilfrid Laurier. He has always seemed to me to be a man who transcends party, province and racial origin in his view of the Canadian nation. In 1893, he said this:

"The French-Canadian who appeals to his fellow-countrymen to stand by themselves, aloof from the rest of the continent; the English-Canadian who appeals to his fellow-countrymen on grounds affecting them alone, may perhaps win the applause of those whom they may be addressing, but impartial history will pronounce their work as vicious in conception as it is mischievous and wicked in its tendency."

As often happens, when you become immersed in a great man's thoughts, you find a wealth of wisdom and insight. And because one can never put partisan sentiment completely aside, Sir Wilfrid, writing in 1882, cheered me with this passage from a letter to a colleague: "The colleges," he said, "are a hotbed of conservatism." Would that it were still true.

Earlier this week I presented to the legislature a statement on Ontario's Economic Strategy for 1977 -- not a full-blown budget, but a statement on budgetary matters.

A province, of course, carries out its fiscal and budgetary policies within the national context. It is affected -- perhaps limited, perhaps stimulated -- by the policies and actions of the federal authority. In turn, the larger provinces in particular can have a substantial impact on the operations of the national economy.

We foresee for 1977 a moderate rate of growth for the Canadian economy -- between 4.5 and 5 per cent in real terms. We think that in all the circumstances that is a reasonable rate of growth. In particular, it is a rate consistent with price stability. It is likely, however, to involve some increase in unemployment.

The national economy will benefit from the favourable prospects of our two major trading partners, the United States and Japan. We are looking to a nine per cent increase in U.S. imports in 1977. Japanese imports, which declined in 1975 but are up about 7.6 per cent this year, are expected to continue their recovery. Canada lives and grows by trade. Without the opportunities that are created for us by prosperity in other countries, our own efforts can't be completely successful.

On the other hand, seeing the opportunity and taking advantage of it are not the same thing. Canadians have to be able to beat the competition in foreign markets -- and indeed in our own markets. And that competition is getting tougher, not easier.

I don't propose to review at length the matters that I discussed in my statement on Tuesday, but I do want to deal with some of the highlights which I think may be of particular interest to most of the students in the audience and to your guests from the business world.

For one thing I was very proud to point out that in the fiscal year so far we are running right on target with our 1976 budget planning. Actual revenues and expenditures are very close to projected levels -- revenues up by \$32 million, expenditures up by \$40 million. As a result, our cash requirements for the year are expected to total \$1,238,000,000 or only \$8 million more than I originally forecast.

When I use a phrase like, "only eight million dollars," a still, small voice inside me seems to say, what do you mean, only eight million dollars?

But the fact is that relative to our total financial commitments and the complexity of the provincial, national and international economies in which we operate, an \$8 million deviation from the forecast of early April is not bad. I believe that it is evidence of the sound management the province is receiving.

I go around the province, as does Premier Bill Davis, reminding businessmen and union members and taxpayers generally, of what they have to do to make our economy work. I hope that the current performance of the government in regard to its own operations is evidence that we are also practising what we preach.

This year we found that there were unforeseen, but unavoidable, increases to meet the needs of hospitals and fire fighting and to make possible the continued operation of community arenas. To meet these needs it was necessary to cancel some other planned expenditures and re-direct the monies to these high-priority areas. Within a government structure this diversion of funds has never been an easy matter. The fact that we are doing it successfully this year shows, I think, that we really are living up to our commitment to restraint.

We are committed also to keeping the growth of provincial spending below the anticipated growth in the economy -- in other words, we intend to reduce rather than expand the governmental share of the Gross Provincial Product. We are making room for the private sector to grow more and contribute more.

We are anticipating a growth of 9.6 per cent in provincial spending for the 1977-78 fiscal year -- in terms of current dollars. The growth of the economy should be 12 per cent. It is of interest too, that the rate of increase of transfers to local governments -- 10.7 per cent -- will be higher than the rate of increase for the province's spending on its own account -- 9.3 per cent.

I think this audience will approve also of our success in the reduction of civil service complement. The present complement is 4,200 less than in 1974 and I believe that we have a more efficient public service as a result. In the coming year we will be concentrating on a policy of zero growth with a continuing emphasis on improved efficiency and better allocation of manpower.

One of the healthy results of the restraint policy of the past few years has been the development of review systems for programs. Governments, like businesses and universities, have in the past tended to assume that a program or an activity once undertaken, will continue indefinitely. Any business organization that runs into hard times and experiences a profit-squeeze quickly takes a look at the possible areas for economy. It cuts away the fat. It questions the validity of activities which may once have been needed and justified, but which may be due for change or may have outlived their true usefulness.

On the principle that an outsider can bring perspective and objectivity to the evaluation of programs, we set up a Special Program Review Committee made up of Maxwell Henderson, the former auditor general, Robert Hurlbut, the president of General Foods Limited, and Betty Kennedy, who qualified as a taxpayer, a communicator and a very astute observer of public affairs, plus three senior civil servants. We were so impressed with the thinking that this committee brought to bear on government operations that we foresee the undertaking of such studies periodically in the future.

In other words we are doing our best to run the public business efficiently and economically. I believe that business concerns in the province are attempting to do the same in their own operations. A serious problem that faces both the operators of private industry and the policy makers of government, is the level of Canadian productivity in relation to the productivity of the countries with which we compete.

I don't think it is necessary for me to define productivity in any detail to this audience since most of you are as able as I to do that. Productivity is not exclusively or even primarily a measure of the efforts of labour. It is a reflection of the capital investment provided, and of the level of technology assigned to the production process. It is a reflection of the leadership and entrepreneurial initiative of management.

In Canadian manufacturing, productivity is almost one-fifth lower than that of the U.S. Now, we have been traditionally lower in productivity in Canada than in the U.S. -- and that is probably understandable in the light of our smaller population, larger geographical area, and other differences. We used to be able to offset the disadvantage of lower productivity by the advantage of compensating lower wages. Now, however, we have a situation in which Canadian wages in manufacturing are actually higher than those in the U.S.

In my statement to the Legislature this week I listed four things that I regard as essential if Canada is to maintain its competitiveness, particularly in the post-control period.

First, we -- and by we I mean the public as well as governments -- must recognize that healthy profits are crucial if we are to generate new investment.

Second, we must realize that only through increased investment and increased productivity can we secure permanent gains in employment.

Third, we must recognize that Canada needs world-scale manufacturing operations. We must accept the inevitable greater concentration of industries which flows from this.

Fourth, we must undertake a reappraisal of foreign investment policies at both federal and provincial levels. We have every justification for overseeing and regulating foreign investment, but at the same time we must ensure that we are not discouraging needed capital inflows, beneficial investments from abroad.

We recognize that the governments can use tax policy as a means of encouraging investment and productivity improvement. In this week's statement I announced a new long-term exemption from retail sales tax for production machinery and equipment. We are also simplifying the definition of production machinery and equipment, and including in the definition, pollution-control equipment and equipment used to remove waste and noxious fumes.

I repeat -- it is axiomatic that we will not get improvements in productivity without new investment. It is equally a fact that we will not get new investment unless there is a reasonable prospect for adequate profits. We think of ourselves as having a free-enterprise economy -- and indeed that is a guiding principle of the government of which I am a member. However, even in this Conservative province of Ontario we have in fact a mixed economy. It is important that we keep the mixture from having too large a public-sector component, thereby crowding out, or limiting, the private sector. The combination of restraint in government's own expenditures and encouragement to private-sector investment will, I believe, prevent government's already large share of the economy from increasing still further.

I expect that both the students and the businessmen in this audience will be following with interest the deliberations and the eventual conclusions of the Committee on Inflation Accounting, whose appointment I announced this week. I don't propose to discuss the question of inflation accounting in detail today. There is widespread concern over the adequacy of traditional accounting methods in a period of sustained high inflation. We need to know -- and investors need to know -- whether the figures that appear on balance sheets are meaningful, or whether new systems for adjustment or interpretation need to be put into effect. An outstanding group of men will be studying this question, and they will certainly welcome the views of business, academic, labour, and other groups.

At the beginning of my remarks I quoted two statements by Sir Wilfred Laurier. There is a third quotation which I want to use now, not because I think it is completely accurate but because it illustrates something that we need to give a great deal of thought to. "Political causes alone," he said, "seldom produce serious discontent unless they affect injuriously the economic condition of the people." That statement seems to suggest that if we can deal with economic questions satisfactorily, political questions will not be a serious problem.

In the aftermath of the Quebec election I am concerned that some of the comments that we have been hearing, even from strong supporters of national unity, seem to lean too heavily on the economic side of things. I do not believe that we can keep this country united simply by emphasizing what we see as the economic benefits to Quebec arising from Confederation.

As Treasurer of Ontario I tend to think in economic terms. I believe that there is an economic advantage for Quebec, and for Ontario, and indeed for the other provinces, in preserving a united Canada.

But I do not think that that will be sufficient to convince all Quebecers. I think that we have to recognize that there are other factors -- intellectual, cultural, emotional, historical. The importance of these other factors must not be minimized. I believe that, in spite of the things that have been said by separatists in Quebec and by those who don't much care about unity in the other provinces, that there is a bond of brotherhood, of shared experiences and achievements.

Most of us in this room are people who deal in hard facts, cold numbers, quantifiable, easily identifiable things. The intangibles in our national experience will weigh much more heavily as the people of Quebec and of the rest of Canada come to grips with the question of separation or unity. Prosperity, fairly distributed, undoubtedly will be a condition of continuing nationhood, but by itself it will not be the deciding factor. I think that all of us in schools, in business, in government, in every aspect of our society, must see the full dimension of our nationhood, and must do what we can, individually and collectively, to preserve that intangible but real and enriching bond.

Thank you very much

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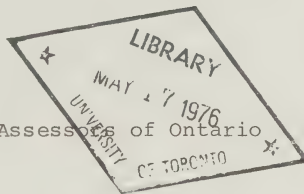


Ministry of Treasury
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Queen's Park
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Remarks by
The Honourable Darcy McKeough
Treasurer of Ontario
and
MPP for Chatham-Kent

to the
Institute of Municipal Assessors of Ontario



Sheraton-Foxhead Inn
Niagara Falls, Ontario

2 p.m., Friday, May 7, 1976

By now I expect all of you have read the paper entitled Reform of Property Taxation in Ontario, which was published just a month ago, as part of my 1976 Budget.

I thought it might be useful for me to review the main points in that paper, to add a few comments about them as I go along, and to invite you to ask questions about them later.

First, let me emphasize that the 15 points set out in that paper are proposals, not hard-and-fast rules. They are offered for public discussion, and to ensure that such discussion will take place as widely as possible, we have appointed a commission to receive submissions and make recommendations.

Their deliberations will begin at once, so that the commission can report to the government by November 30, and legislation can be prepared for presentation to the House next spring.

Before that legislation becomes final, data on market value will be available to local governments and their reactions and views will be sought as to how specifically the proposed legislation will apply in their municipalities.

Assessment notices for 1978 taxation will go out in the early summer of 1977, allowing time in the fall of '77 for any appeals against assessments. The last revised assessment role for 1978 should therefore be available in December 1977.

That timetable will make it possible for market value assessment to become operative beginning in taxation year 1978.

To those of you who have been working in this field for many years, it must seem as though market value assessment has been a long, long time in coming.

Some of you, I'm sure, can remember the "good old days" when there was no need for anything as universal as market-value assessment. Here, I'm not speaking from personal memory but from the record of recent history. Twenty-five or thirty years ago, municipalities were much more isolated from each other and much less interdependent than they have since become.

In those days, an assessor could concern himself almost entirely with factors that were important to his municipality and his municipality alone. It didn't matter to him -- and it didn't have to matter -- if his methods or his rules-of-thumb were quite different from those of some other assessor over in the next county or somewhere else in the province.

But then, as growth and urbanization gained momentum, the sharing of costs and responsibilities -- among municipalities and between local governments and the province -- became critically important, and so did a common standard of property assessment.

Along with the growth in the size and complexity of municipalities came the development of provincial financial transfers to local governments, which intensified the interrelationship between the province and local governments. Local assessment became the basis not only for taxation itself but also for grant entitlements. Wherever deficiencies existed in local assessments, inequities cropped up in grants.

The short-term answer, as most of you well know, was the adoption by the province of a system of equalization factors to correct for variations in local property assessments. But that system was a blunt instrument at best: it could correct for different growth patterns and valuation practices but it could not account for changes in the values of individual properties.

The long-term solution, of course, was to reassess all properties in Ontario on one consistent basis. It was at that point that the Ontario government took over the assessment function from local governments.

Since there were 3½ million properties to be reassessed, it was obviously an enormous undertaking, and the fact that we ran into problems was hardly a surprise to anyone involved. Every new venture involves problems, but what we could not foresee was the big boom in real estate -- some of it real, some of it pure inflation -- that overtook the reassessment program soon after it got under way.

We realized from the outset that in order to get the new system set up, we needed a hiatus, in the form of a freeze on existing assessments. What we found, of course, was that we could freeze assessments but we sure couldn't freeze market values.

As property prices escalated, reassessments at market value became obsolete -- sometimes within a matter of a few months.

As anxious as we were to get on with the job and see the new system in use, we were obliged to postpone our target dates.

Eventually, the market did cool down, as markets always do, and now we are pretty confident that our present target date -- that is, the completion of reassessment in '77 for application to the '78 taxation year -- is a target that can and will be met.

Throughout it all, our three basic objectives have remained unchanged. These are:

First, to establish an appropriate distribution of tax burdens among classes of real property;

Second, to simplify the business taxes;
and
Third, to broaden the local tax base
by removing the exemptions.

I doubt whether any reasonable taxpayer would take exception to any of these objectives, once the underlying intentions and the actual effects are fully understood.

We believe these objectives can be achieved through the adoption of the 15 proposals or modifications of them which we have set out in the Budget paper, for purposes of public debate.

Now, let me offer you a brief observation on each of those 15 proposals.

No. 1: Residences in Ontario, collectively, will bear a reduced share of property taxes.

Here, the operative word is "collectively". We're not saying that residences, individually, will necessarily have their taxes reduced. Some have been undertaxed in the past and will undergo increases. But, collectively, residences in Ontario now carry about 50 per cent of the total burden of property taxation, and we believe this proportion should be reduced somewhat. To achieve this reduction, we are proposing that residences be taxed at 50 per cent of market value while other properties are taxed at 100 per cent of their market value. These percentages are not final, by any means; that's one of the points I expect will have to be thoroughly studied.

No. 2: Residential property will be redefined to include only residences and a reasonable amount of land.

As you would know, there are many classes of property currently being taxed at the residential rate which are not in fact residences. These include vacant commercial and industrial property, vacant land, golf courses, lodges, clubs and conservation authorities. Under this proposal, these classes of property would be taxed at 100 per cent of their market value.

Even at that, taxes on vacant commercial and industrial property would not generally increase because their market value has not been increasing as rapidly as the market value of other classes. The greatest tax increases would occur for lands that have undergone the most rapid increases in market value.

No. 3: The present practice of levying different mill rates on residential and commercial properties will be discontinued.

Instead of the present system of differential rates, there would be a uniform mill rate but it would be levied on different percentages of market-value assessments.

The proposed new system has two important advantages: it offers greater flexibility in tax policy, and it is simpler to administer. Many municipal treasurers consider the calculation of differing mill rates to be, to put it mildly, a cumbersome process and it's doubtful the taxpayer fully understands the present system.

Proposal No. 4: Farmland, farm buildings, managed forests and farm residences will be assessed at market value. Farmland, farm buildings and managed forests will be taxed at 100 per cent of market value, and the taxes will be paid by the Province. Farm residences will be taxed as all other residences at 50 per cent of market value, and the taxes will be paid by the owner. There will be a provision to recover taxes paid by the Province if the property changes use.

This is one proposal which obviously has special implications for all of you engaged in assessing rural properties. This proposal will mean plenty of new work for you. You will be faced with the task of assessing each farm residence and its associated farming property separately, to arrive at a separate market value for each.

I know it may seem like a laborious task, but if you are convinced of the worth of the reassessment program -- as I am -- then you surely must agree that this sort of onetime chore, however painstaking it might have to be, is worth doing for the sake of a better system.

The mechanics of having the Province pay the taxes on a farm or a managed forest will be quite simple. The owner of the property will make application to the treasurer of the municipality where the property is located to have his tax bill sent to the province. Eligibility will be based on criteria similar to those now used in the farm tax reduction and managed forest tax reduction programs.

This taxation arrangement would not be affected by changes in ownership -- only by changes in the use of the land. If the land use is changed, the taxes paid on such property will be recovered by the Province for a period of up to ten years before the change in land use took place. Interest on such recoverable taxes will also be payable to the Province.

Proposal No. 5: All real property used for the purpose of a business, including government administrative facilities, will be subject to an additional assessment of 50 per cent of market value for business taxes.

This proposal will eliminate the various percentages that now apply, from 25 per cent for carparks on up through 50 per cent for professional offices, 75 per cent for financial houses and 140 per cent for distilleries.

The substitution of a single rate of 50 per cent doesn't mean that businesses that now have lower percentages will have their taxes increased and those with higher percentages will get decreases. The question of higher or lower taxes depends on whether the property is now under- or over-assessed.

The move to a uniform business assessment rate has one advantage which I am sure all of you will appreciate: it will eliminate disputes as to which category is the correct one for a particular business. The combination greeting card shop and funeral parlor will no longer be a problem.

There will be cases, however, where the question arises: "Is this establishment a business or isn't it?" We hope some definite guidelines on this point will emerge from the deliberations of the commission this summer. Perhaps this organization would like to comment on this issue.

Proposal No. 6: All public property except residences will be subject to payments in lieu of taxes equal to full taxes at 100 per cent of market value. Public residences will be subject to payments in lieu of taxes equivalent to full taxes at 50 per cent of market value. Public utilities will be subject to business assessment at 50 per cent of market value.

What this proposal is saying, of course, is simply that municipalities will be allowed to collect revenue from public property just as though it were privately owned.

This would apply to all public property -- provincial, local and federal -- except unpatented lands, cemeteries and highways. In other words it would include such properties as university residences, chronic hospitals and homes for the aged.

It may seem strange to have a local municipality taxing its own property, but it's important to remember that property tax is levied on behalf of upper-tier governments and school boards, as well, and the broader tax base will mean a fairer distribution of costs and revenues among local government units.

This proposal has at least three other important advantages.

First, the true cost of ownership of public property will be evident for the first time. As a byproduct of this I will be pushing to have Provincial payments in lieu charged back to and in effect paid by each Ministry so that their voted estimates will truly reflect their operating costs.

Secondly, taxpayers within a particular jurisdiction will all contribute equitably to the ownership of property by the government of that jurisdiction. There won't be an unfair burden of the cost placed upon one group of taxpayers merely because they happen to be located near a certain public property.

Thirdly, local governments will have a more certain source of revenue which will remain unaffected by any changes in provincial grants policies.

Proposal No. 7: As in the present case, churches, cemeteries and property held in trust for a band or body of Indians will be exempt. All other presently exempt property will be taxed at 100 per cent of market value, except residences, which will be taxed at 50 per cent of market value.

This proposal does not mean changing the present exempt status of personal property such as machinery and equipment. However, it is one proposal that's likely to give rise to quite an emotional reaction, as soon as people realize it does mean levying full taxes on such organizations as the Red Cross, the Navy League, the YMCA, the Canadian Legion, Girl Guides, Boy Scouts and a great many other worthwhile groups.

The important thing to recognize here, of course, is that such institutions are now receiving indirect subsidies from Ontario taxpayers, by means of provincial grants to local governments, such as education grants.

It's no reflection on the institutions themselves to say that, by this means, they are taking provincial money in through the back door, so to speak.

Under this proposal, the system would become more readily visible: Most of the institutions now exempt would pay taxes like everybody else. Governments, of course, would still be able to provide grants to any worthy organizations which needed and deserved such funding.

Proposal No. 8: A uniform method of phasing-in the new tax system over a period of up to five years will be available to prevent abrupt tax changes.

There are several ways that this can be done, but I won't take up your time here with explanations of the details. It should be enough to remind you that a phasing-in process was found necessary in some reassessed municipalities such as York and Peel, and there should be no difficulty in selecting or devising a system which in each case is considered best suited to local circumstances.

Proposal No. 9: Assessment rolls will be returned and enumeration will be performed every two years, to coincide with local government elections.

This proposal was one of the recommendations of the report of the Special Program Review, and it was made chiefly because it would save several million dollars in government expenditure every second year.

As you might suppose, this bi-annual system would require supplementary assessments to be compiled on alternate years, to take into account the changes brought about by new construction and demolition. Changes in school support would also have to be accounted for every year.

Proposal No. 10: Assessment on provincial government property will be pooled and assigned between the public and separate elementary schools in the same proportion as the taxable assessment assigned by the owners and occupants of residences.

There is a good argument for having provincial assessment provide support, not only to municipalities but also to public, separate and secondary schools, which is not what happens now.

Payments in lieu of taxes include a payment specified for education, but this sum is not credited to the school boards. The proposal adds a recommendation that federal, municipal and other public properties, as well as provincial ones, should contribute to school board revenues in this same manner.

Proposal No. 11: Costs shared among municipalities will be shared on the basis of the assessment on which taxes and payments in lieu of taxes are based.

As you probably know, the costs of school boards, counties, regions, health units, conservation authorities, and so on, are now shared by municipalities on a variety of bases -- population, weighted equalization assessment, unweighted equalization assessment; and the computations sometimes include and sometimes exclude the equivalent assessment for payments in lieu of taxes.

This proposal substitutes a single method of apportionment -- which, among other things, should make life a lot simpler for municipal officials and provincial civil servants.

Proposal No. 12: Where assessment is to be used to determine the grant to be paid to a municipality, the assessment used will be the assessment on which taxes and payments in lieu of taxes are based.

This proposal has much the same intent as the previous proposal: to standardize certain calculations, in this case, the calculation of transfer payments.

Proposal No. 13: The provisions of The Assessment Act will apply to the assessment of all real property in Ontario, including areas without municipal organization.

This proposal is intended to ensure equal treatment of all properties in the province by standardizing their assessment. Whether the tax proposals will be extended to areas without municipal organization will depend on further discussion and study. Quite frankly this may take a little longer to work out and is one item of the package that can be postponed if necessary.

In any case, taxes in those unorganized areas will continue to be levied by school boards and the Province.

Proposal No. 14: Public bodies which receive provincial grants, such as school boards, will be allowed to include their property tax payments as allowable expenses for grant purposes.

As well as school boards, this proposal applies, for example, to conservation authorities, hospitals and universities, to name just three other examples.

The underlying principle is almost self-evident: if a public body is to pay property taxes, it's only fair to allow this continuing cost to be included among its allowable expenses for purposes of calculating grants. Since provincial grants never amount to 100 per cent of administrative expenses, there may, in many cases, be a net increase in the revenues that such bodies have to raise from other sources.

Finally, Proposal No. 15, which is more of a pledge from the Province than a proposal for debate, says:

Ontario's property tax credits, which relate property taxes to the ability to pay will, if necessary, be strengthened upon implementation of the new system.

I realize, Mr. Chairman, that many members of this audience are already quite familiar with the fifteen points I have just reviewed, but I felt such a review would be useful here this afternoon, for several reasons.

As I suggested at the beginning, perhaps some of my remarks along the way were of some help in clarifying the points themselves or in explaining the underlying motives or principles involved.

And there are special reasons why I regard such explanations to be particularly important for this audience.

This is an aspect of tax reform that could become highly contentious. There is a danger that some people, especially the spokesmen for social agencies, will react negatively and quite emotionally not to what is actually going to happen if these proposals are adopted but to what they assume or imagine will happen, for example, to name just one, the proposal to make taxpayers out of many institutions which are now exempt.

Some people are sure to see this proposal as a retrogressive step and a threat to the well-being of many worthy agencies and the clients or communities which they serve.

Actually, of course, it's no such thing. Rather, it's simply a move to provide visibility and rationality to a system of subsidies which are acknowledged on all sides to be worthwhile and desirable.

I am sure you understand that -- and your understanding is important to me, and to the government as a whole, because we are counting on you, and others like you, to contribute to the ensuing public discussion, in two ways.

First of all, we hope, of course, that you, as an organization, will furnish the commission on the new property tax system with your thoughts on some or all of the fifteen proposals -- particularly those where your practical experience and expertise would be especially relevant.

Secondly, we hope we can count on you to play a special, voluntary role in the tax reform program, not only by understanding these proposals thoroughly but by spreading that understanding to many of the people you encounter in your daily work -- municipal leaders, community leaders of other kinds, local government officials and, of course, the taxpayers themselves.

Beyond that, we are counting on you, as we have for so long now, to carry on your work, in spite of its difficulties and frustrations.

As I have pointed out, some of the reforms now proposed mean an additional professional burden for many of you.

Yet I am sure you believe in the worth of the task, and I am confident that you will meet the challenge it presents to you.

Thank you very much.

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57 -
STATEMENT TO THE NATIONAL TRI-LEVEL CONFERENCE

BY

THE HONOURABLE JOHN WHITE

TREASURER OF ONTARIO AND

MINISTER OF ECONOMICS AND INTERGOVERNMENTAL AFFAIRS

ON

HOUSING AND LAND-USE STRATEGY

EDMONTON, ALBERTA

OCTOBER 22 AND 23, 1973

The Honourable Allan Grossman, Minister of Revenue responsible for Ontario Housing Corporation, has asked me to deliver this paper on his behalf as it was necessary for him to attend an important housing conference in Ottawa that has been scheduled for a year.

This morning, Ontario's position on the management of growth touched briefly on housing and land-use strategy. As many of you are aware, my province through Ontario Housing Corporation, has been both active and innovative in these two areas. With the establishment of the new Ministry of Housing to direct and co-ordinate Ontario's efforts in achieving its housing goals, one of the first tasks will be to work closely with regional and local governments to establish housing priorities and objectives for each part of the province. Then, on a co-operative basis between governments and the private sector, we plan to develop a number of responses to these needs.

The strategies will vary, depending on whether or not it is "old land" -- that is land for which housing rehabilitation is required; or "new land" where innovative planning, lot leasing, preferred mortgage rates and the like, will be at least part of the answer. In this regard, we will need to be flexible. It is for this reason we supported the resolution of the Ministers of

Municipal Affairs in Charlottetown August 21, calling for flexible regulations under the National Housing Act so that it can meet varied provincial needs and permit integration of any NHA program with provincial priorities.

At an October 5th Ontario Tri-Level discussion in Toronto, Mr. Basford indicated he was not prepared to consider the NHA regulations as being of "an interim nature" as the resolution requested. However, he gave an undertaking that he would consider recommendations from this meeting for changes.

In the short term, through a recently established "housing action program", we hope to encourage a climate of co-operation that will rapidly increase the supply of new housing and by so doing, to reduce the pressure of demand. This approach is designed to greatly increase the number of housing units available during 1974 and 1975 over and above those which would normally be coming on the market in those years.

This action program, which is being launched in consultation with local and regional municipalities, will accelerate the supply of housing lots, examine methods to improve development applications, make recommendations on servicing, new construction of multiple housing, and the development of publicly owned lands -- in short, cutting through a lot of the red tape.

In the long term, our strategies will be to continue and expand our efforts in both government land assembly and the provision of all forms of housing, both socially assisted and private.

Ontario will continue to be active in land assembly in order to secure the continuation of its "Home Ownership Made Wasy" (H.O.M.E.) Lot-Lease Program which has been so successful. Already some 19,000 acres have been acquired and the province will continue its activities in this area. As well, new town development will remain as part of our regional strategy of directing growth in desirable areas. The branch responsible for this will be joining the new housing ministry.

It is both Ontario's position, and the position of the Ontario Municipal-Provincial Liaison Committee, that land financing should be done under Section 42 of the National Housing Act which is the 90 per cent loan section. We prefer this to a 75/25 partnership arrangement with the Federal Government under Section 40 as the partnership has proven cumbersome in the past.

Ontario municipalities have requested the right to acquire, develop and sell land for residential purposes. This will be studied by the interministerial committee reviewing the recommendations of the report of the task force on housing policy.

A task facing both the Housing Action Committee and the new ministry is to find acceptable forms of multiple housing to meet increased demand for such construction in the face of growing opposition to it.

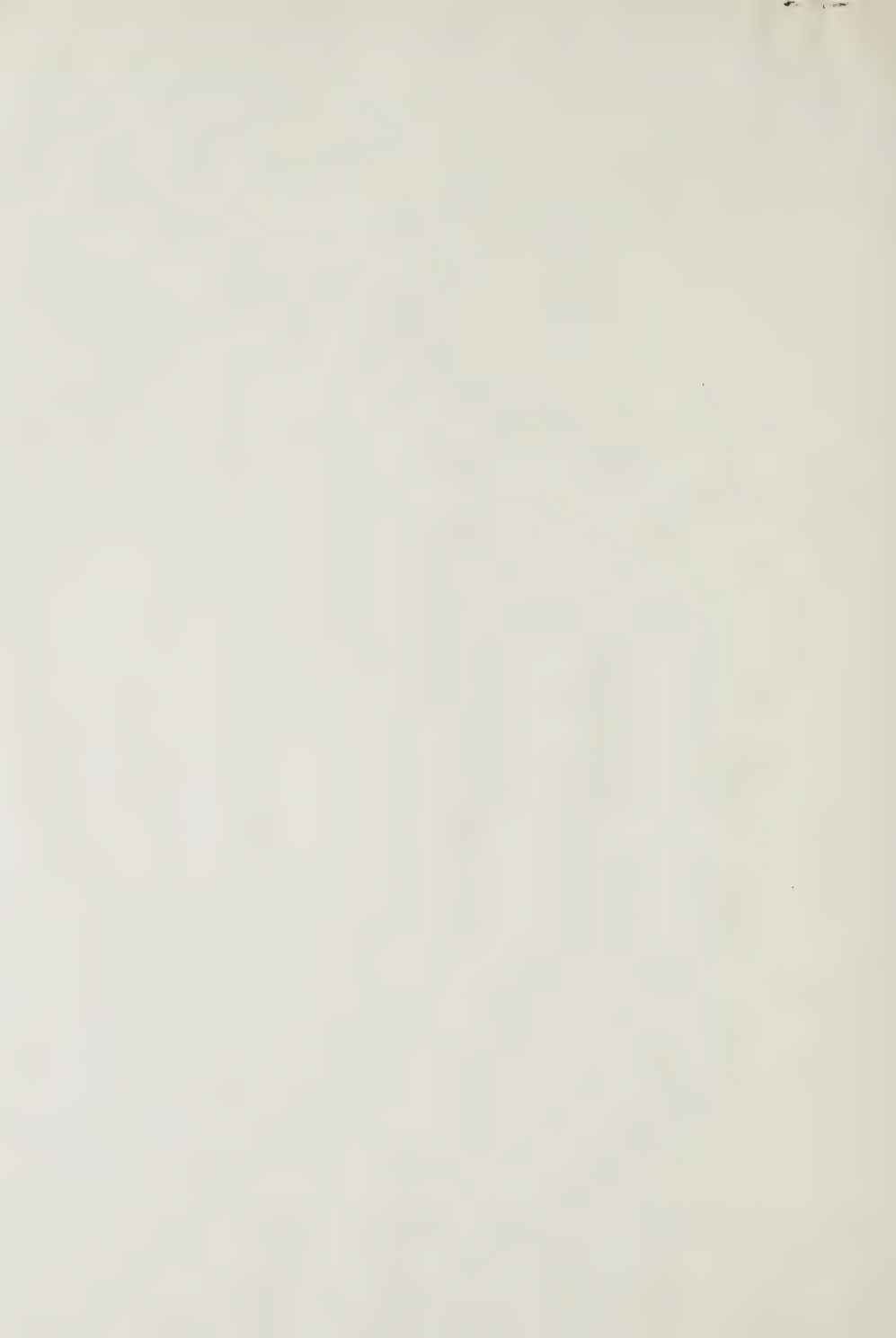
Ontario has accepted the recommendation of the Housing Task Force for the continuation of a substantial program of public housing construction and the desirability that such future public housing projects should, where possible, take a more acceptable form.

Mr. Grossman has already pointed out the National Housing Act amendments make no provision for a review of public housing as it is today. With socially-assisted housing running into difficulties in many parts of Canada, he has asked for such a review so as to explore potential programs which might be more acceptable to both the general public and public housing tenants.

In the field of ownership, Ontario will continue its "Leased Land" Program, as I have mentioned, and has just introduced a preferred lending program where 8-3/4 per cent mortgages are being offered to builders who build "no frill" or "starter" houses under provincial maximum price limitations.

As well, Ontario will be looking at NHA programs and applying them where appropriate.

All of these housing and land strategies will be co-ordinated with the goals of Ontario's Regional Planning Program which were outlined at the morning session.





Ontario

Ministry of Treasury
Economics and
Intergovernmental
Affairs

The Honourable John White, minister

"THE CHALLENGE AND THE OPPORTUNITY"

REMARKS BY

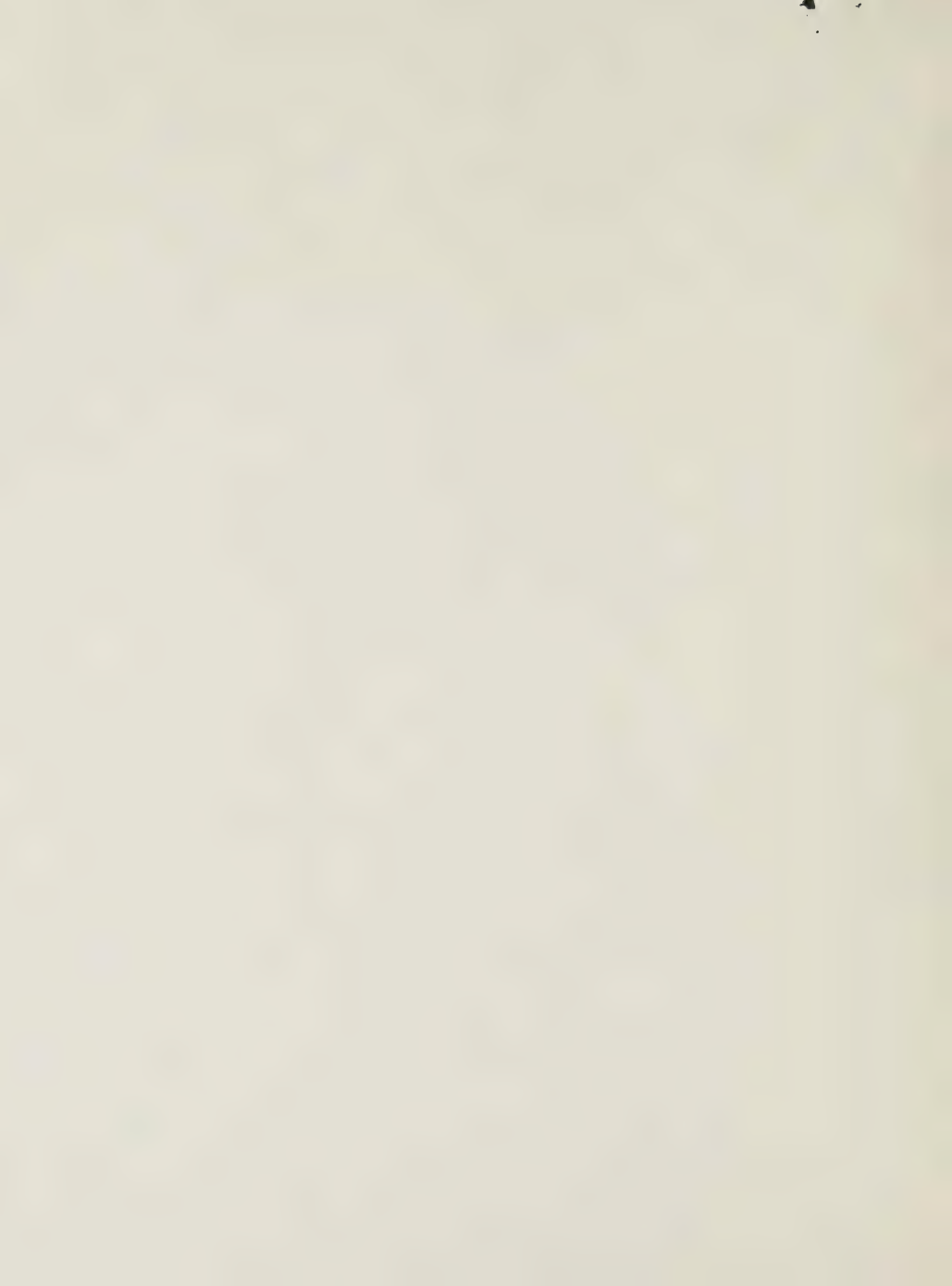
THE HONOURABLE JOHN WHITE

TO THE

HALDIMAND-NORFOLK JOINT STUDY COMMITTEE

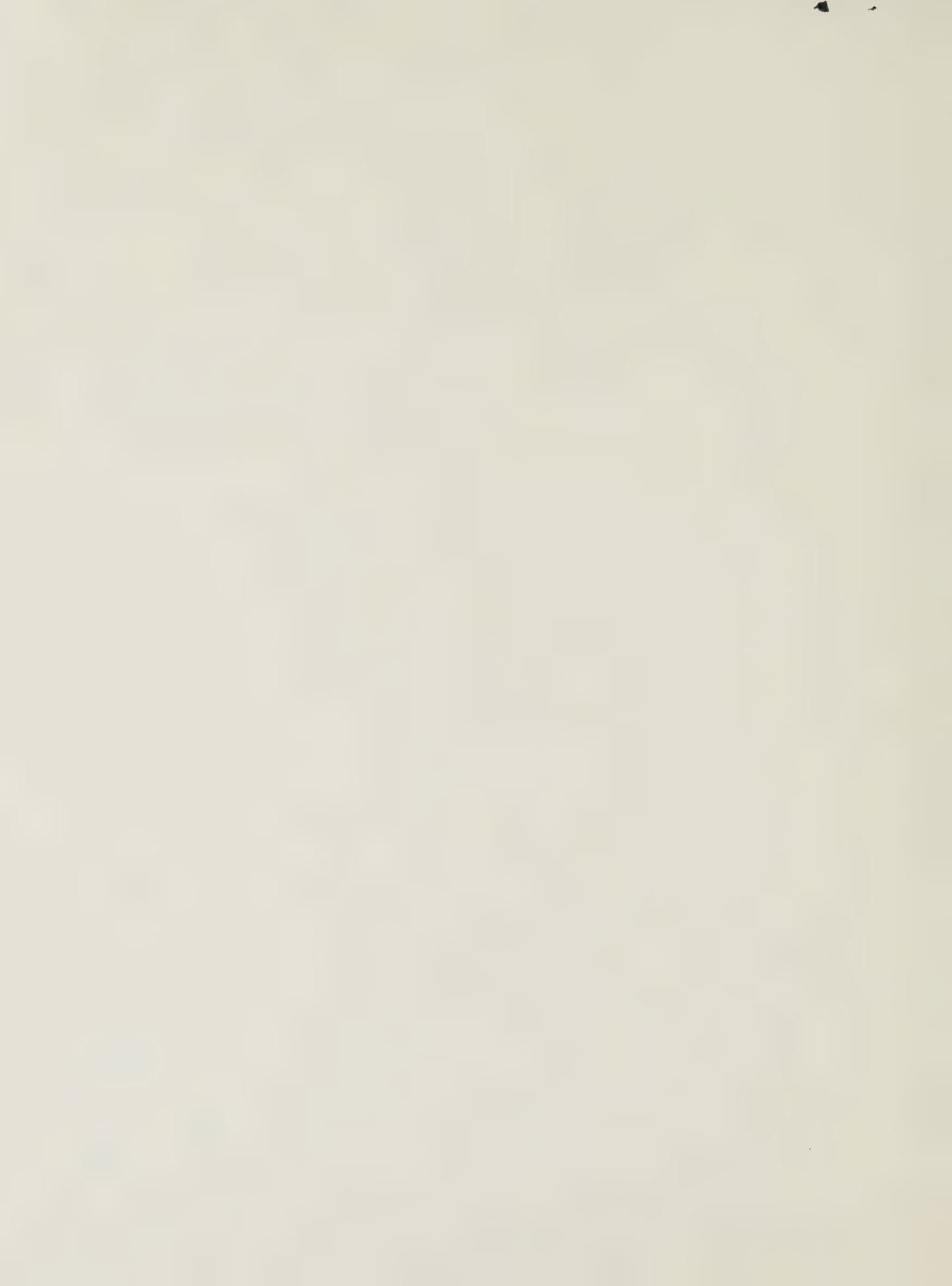
PORT DOVER, ONTARIO

FRIDAY, AUGUST 3, 1973



I AM GLAD SO MANY OF YOU HAVE BEEN ABLE TO JOIN US
HERE FOR LUNCH TODAY, AND I HOPE YOU ALL FEEL AS PLEASED
ABOUT THIS OCCASION AS I DO.

MY GOOD FEELINGS ARE BASED ON THE KNOWLEDGE THAT WE
ARE ALL ESSENTIALLY IN AGREEMENT OVER THE BASIC PROPOSITION
AT HAND, WE ALL RECOGNIZE THE NEED FOR RESTRUCTURING AND
STRENGTHENING LOCAL GOVERNMENT IN HALDIMAND AND NORFOLK
COUNTIES.



IT IS AMAZING BUT TRUE THAT LOCAL GOVERNMENTS IN THIS PART OF ONTARIO HAVE EXISTED, MORE OR LESS AS THEY ARE NOW, SINCE THE 1850s. AND FOR MOST OF THAT 120 YEARS, THERE HAS BEEN LITTLE NEED FOR CHANGE.

BUT NOW THAT NEED IS OBVIOUS -- AND IMPERATIVE.

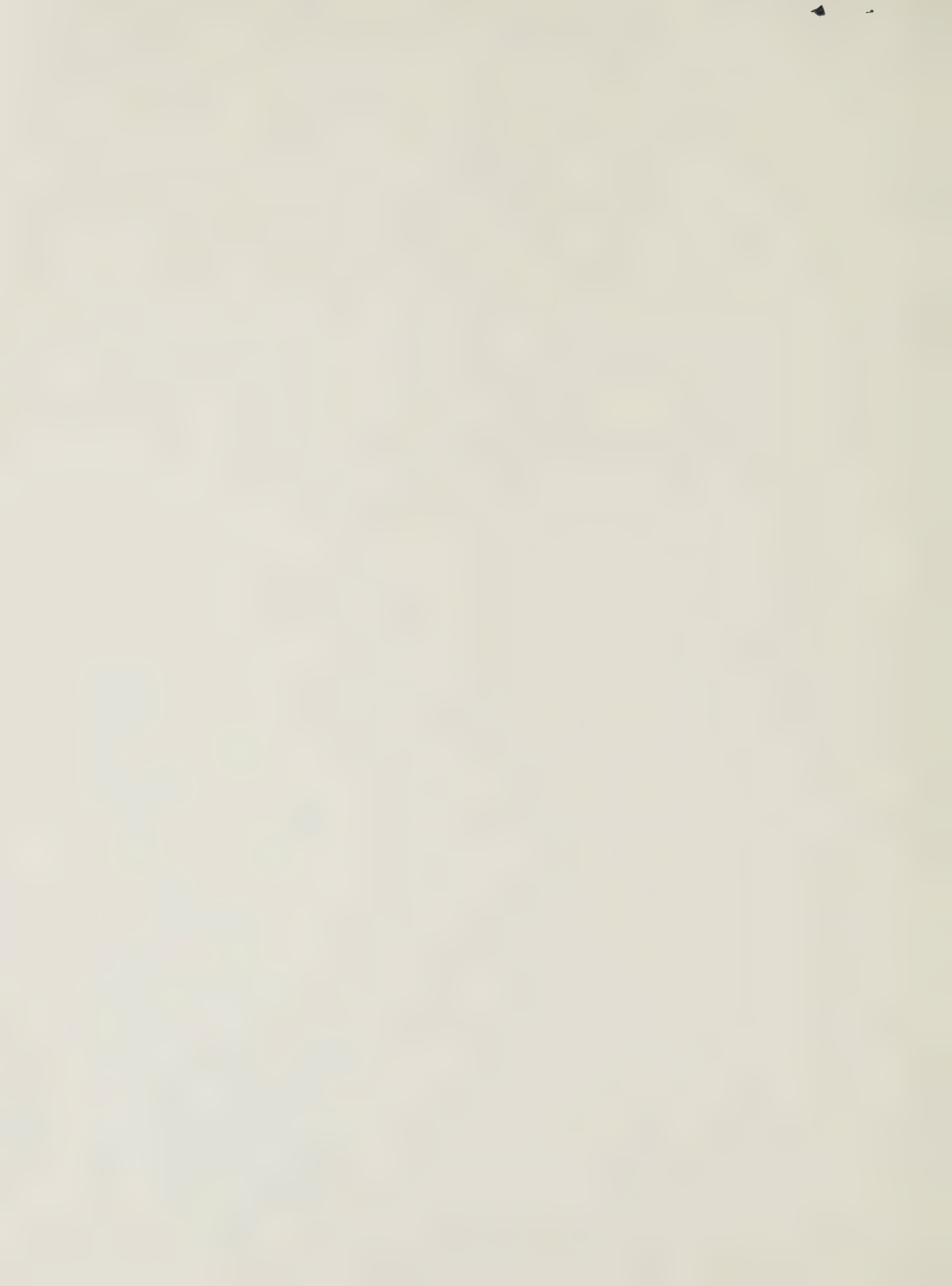
INDUSTRIAL DEVELOPMENTS, NOTABLY THE ONE PLANNED FOR NANTICOKE, WILL SOON MEAN DRASTIC CHANGES TO THE FACE OF THE LAND, AND DRAMATIC INCREASES IN POPULATION.

IF PRESENT AND FUTURE RESIDENTS ARE TO BENEFIT AS THEY SHOULD FROM THIS GROWTH, A STRONGER FORM OF LOCAL GOVERNMENT MUST BE CREATED.

YOUR REGION NEEDS THE MACHINERY TO GUIDE THE GROWTH WE KNOW IS COMING.

IT NEEDS THE POWER TO SOLVE THE PROBLEMS WE KNOW WILL ARISE.

I THINK IT IS SAFE TO SAY THAT MOST PEOPLE IN THIS ROOM HAVE ALREADY EXAMINED THAT PROPOSITION CAREFULLY AND HAVE CONCLUDED THAT THE NEW STRUCTURE SHOULD TAKE THE FORM OF REGIONAL GOVERNMENT.

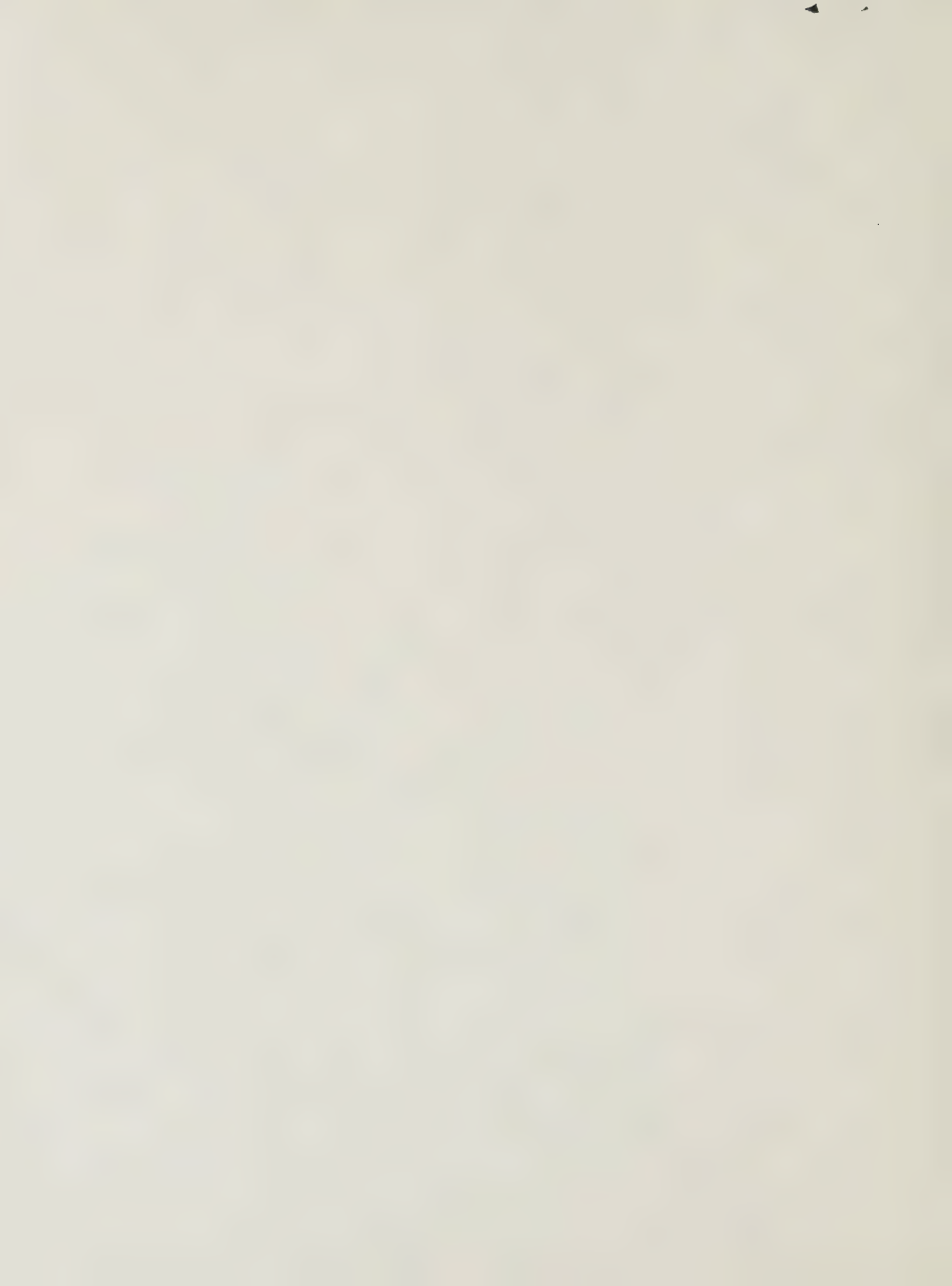


I SAID AT THE OUTSET THAT I FEEL GOOD ABOUT THIS MEETING HERE TODAY. BUT I ALSO FEEL A SENSE OF URGENCY -- AN AWARENESS OF AN OPPORTUNITY AT HAND, AN OPPORTUNITY THAT SHOULD NOT BE ALLOWED TO SLIP BY.

IN PREPARING THESE REMARKS, HOWEVER, I FELT SOME HESITATION ABOUT EXPRESSING THAT SENSE OF URGENCY, FOR FEAR OF BEING MISUNDERSTOOD. WHILE I DO LIKE TO THINK OF MYSELF AS A MAN WHO CAN GET THINGS DONE -- AND WHAT POLITICIAN DOESN'T? -- I AM NOT, BY NATURE OR BY HABIT, EITHER A DICTATOR OR A HUSTLER. AND I FELT, BEFORE COMING HERE, THAT IF I TOLD YOU THAT THE ESTABLISHMENT OF REGIONAL GOVERNMENT IS AN URGENT NECESSITY FOR HALDIMAND-NORFOLK, SOME PEOPLE MIGHT EASILY GET THE WRONG IMPRESSION. THEY MIGHT THINK I WAS TRYING TO DICTATE TERMS TO YOU, OR THAT I WAS TRYING TO HUSTLE YOU INTO MAKING A HASTY DECISION.

THOSE ARE NOT MY INTENTIONS. I HAVE COME HERE TODAY TO ASK YOU TO TELL ME HOW YOU FEEL ABOUT THE HALDIMAND-NORFOLK REPORT AND ITS RECOMMENDATIONS, AND WHAT YOU WOULD LIKE TO SEE DONE ABOUT LOCAL GOVERNMENT HERE.

CERTAINLY, MY COLLEAGUES AND I HAVE OUR VIEW, WHICH I HOPE YOU SHARE. BUT I AM NOT HERE TO TELL YOU WHAT'S TO BE DONE; I AM HERE TO ASK.



IF YOUR WISHES POINT TOWARD THE ESTABLISHMENT OF A REGIONAL GOVERNMENT -- AS I HAVE EVERY REASON TO SUPPOSE THEY WILL -- THEN THE NEXT QUESTION IS, "WHEN?".

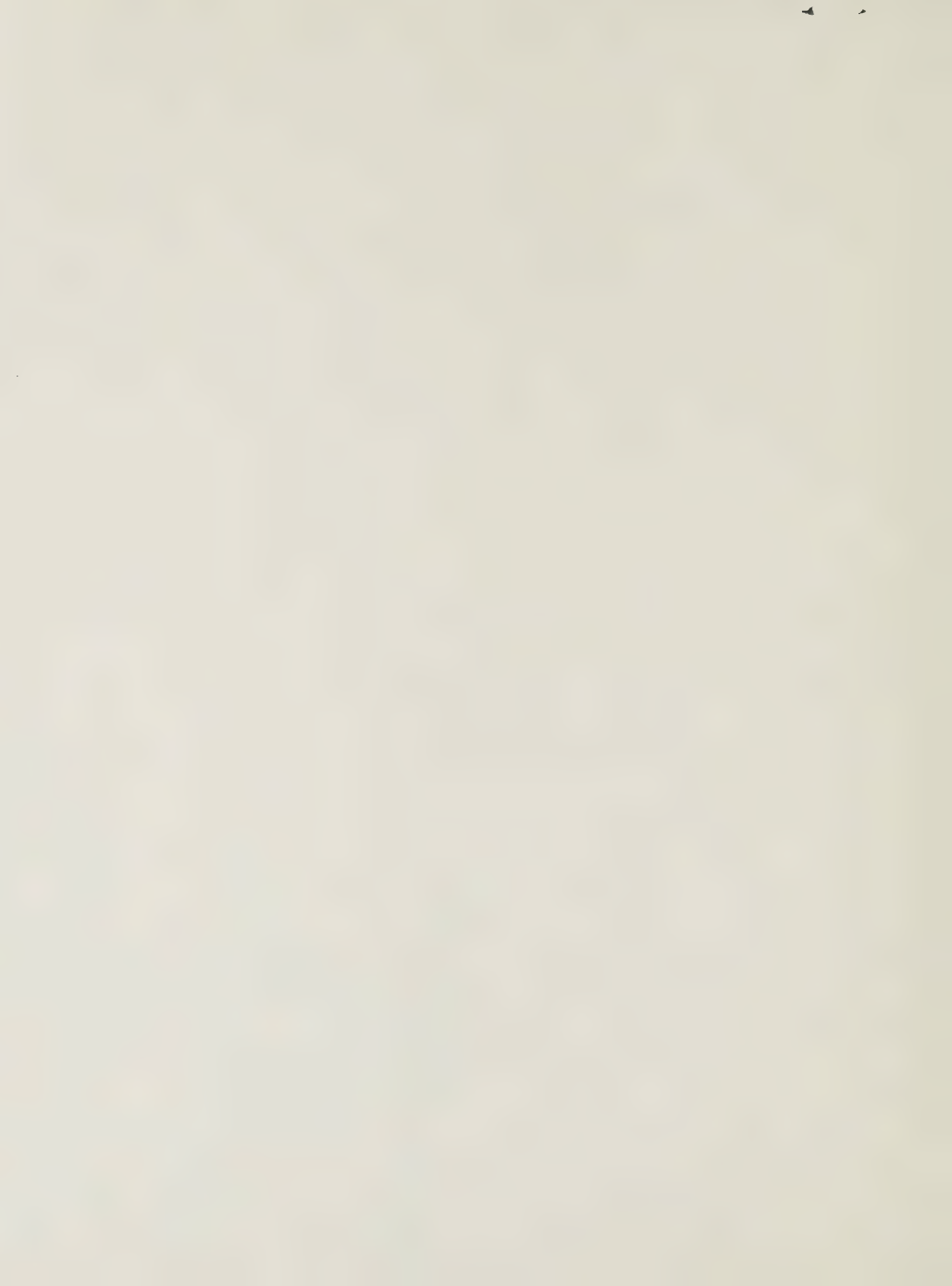
WE IN THE PROVINCIAL GOVERNMENT THINK IT IS BOTH POSSIBLE AND DESIRABLE FOR HALDIMAND AND NORFOLK TO HAVE A REGIONAL GOVERNMENT BY JANUARY 1, 1974. THAT'S ONLY 151 DAYS FROM NOW.

BUT IT COULD BE DONE, ON A TIGHT TIMETABLE. WE WOULD HAVE TO HAVE THE BASIC INFORMATION ASSEMBLED NO LATER THAN MID-SEPTEMBER. THE LEGISLATION WOULD HAVE TO BE DRAFTED FOR INTRODUCTION INTO THE HOUSE DURING THE FIRST WEEK OF OCTOBER AND PASSAGE COULD TAKE PLACE ABOUT MID-OCTOBER.

ELECTIONS WOULD HAVE TO BE HELD THROUGHOUT YOUR REGION IN LATE NOVEMBER OR EARLY DECEMBER.

AND THE NEWLY ELECTED COUNCILLORS WOULD, OF COURSE, TAKE OVER AT THE FIRST OF JANUARY.

OBSVIOUSLY, A GREAT DEAL OF WORK WOULD HAVE TO BE DONE IN A VERY SHORT TIME.



ELECTIONS WOULD HAVE TO BE ORGANIZED.

ASSETS AND LIABILITIES WOULD HAVE TO BE SORTED OUT AMONG SPLIT MUNICIPALITIES BY A COMMITTEE OF ARBITRATORS.

THEN WORK WOULD HAVE TO MOVE AHEAD TO CREATE THE REGIONAL GOVERNMENT ORGANIZATION, SO THAT IT COULD BEGIN FUNCTIONING ON THE STARTING DATE.

IN THE COURSE OF PREPARING THE LEGISLATION WE WOULD HAVE TO SETTLE THE QUESTION OF BOUNDARIES,

THE SIZE OF EACH AREA MUNICIPALITY'S COUNCIL WOULD HAVE TO BE DETERMINED, AND DECISIONS WOULD BE NECESSARY AS TO THE NUMBER OF REPRESENTATIVES THAT EACH AREA MUNICIPALITY WOULD SEND TO THE REGIONAL COUNCIL.

IF THE AREA MUNICIPALITIES WERE TO HAVE WARDS, THE WARD BOUNDARIES, TOO, WOULD HAVE TO BE DECIDED.

IN ADDITION, THE NAMES FOR EACH AREA MUNICIPALITY WOULD HAVE TO BE SELECTED -- ALONG WITH THE NAME OF THE REGION ITSELF.

WITH THESE AND OTHER ISSUES AND DETAILS TO BE LOOKED AFTER, YOU MIGHT REASONABLY ASK: "WHY JANUARY FIRST -- WHY NOT MARCH 31st OR JULY FIRST OR SOME OTHER MID-YEAR DATE?"

WELL, SOME OTHER DATE IS POSSIBLE, BUT I THINK YOU MIGHT CONSIDER JANUARY FIRST, FOR TWO REASONS -- ONE SPECIFIC AND ONE GENERAL,

THE SPECIFIC REASON HAS TO DO WITH THE PRACTICAL QUESTION OF FINANCIAL ADJUSTMENTS. WHEN BOUNDARIES ARE MOVED OR MUNICIPALITIES ARE MERGED AND OTHER SUCH CHANGES OCCUR, FINANCIAL ADJUSTMENTS CAN BE CARRIED OUT MORE SIMPLY AT THE END OF A FISCAL YEAR.

AT THAT TIME THERE ARE FEW -- IF ANY -- PROBLEMS WITH HALF-SPENT BUDGETS OR UNFULFILLED, SHORT-TERM OBLIGATIONS. SETTLEMENTS ARE FAIRER AND CAN BE SHOWN TO BE FAIRER -- WHICH CAN BE AN IMPORTANT CONSIDERATION.

A MORE GENERAL ARGUMENT IN FAVOUR OF THE JANUARY FIRST DATE CAN BE SUMMED UP BY THE OLD ADAGE, "THERE'S NO TIME LIKE THE PRESENT." UNQUESTIONABLY YOUR NEW REGIONAL COUNCIL WOULD BENEFIT FROM AN EARLY START ON REGIONAL PLANNING AND OTHER PROBLEMS, RATHER THAN TAKING OFFICE AFTER THE PRESSURES OF GROWTH HAVE BUILT UP.

IF YOU SHARE WITH ME THIS SENSE OF URGENCY, I WOULD ASK YOU TO SHARE, AS WELL, THE FEELING MY COLLEAGUES AND I HAVE ABOUT THE RECOMMENDATIONS IN THE HALDIMAND-NORFOLK STUDY.

IT IS OUR FEELING THAT OUR TIGHT TIMETABLE WOULD BE SERVED BEST IF YOU WERE TO ACCEPT ALL OR MOST OF THE CONVENTIONAL ARRANGEMENTS AND MEASURES RECOMMENDED IN THE STUDY, WITH OF COURSE, WHATEVER MODIFICATIONS YOU WISH MADE, AND THAT YOU COULD WELL AFFORD TO DEFER ALL DECISIONS ON RECOMMENDATIONS INVOLVING UNCONVENTIONAL OR UNTRIED MEASURES.

BY "CONVENTIONAL MEASURES" I MEAN THOSE THAT ARE IN EFFECT IN REGIONAL GOVERNMENTS ELSEWHERE -- SUCH AS THE IDEA OF PUTTING THE PLANNING FUNCTION AT THE REGIONAL LEVEL -- A MEASURE IN EFFECT IN SUDBURY,

BY "UNCONVENTIONAL OR UNTRIED MEASURES" I MEAN SUCH RECOMMENDATIONS AS THE ONE CALLING FOR ESTABLISHMENT OF URBAN SERVICE BOARDS, WHICH DO NOT EXIST ANYWHERE IN ONTARIO AT THE MOMENT. ONCE IT IS IN OFFICE, YOUR REGIONAL COUNCIL COULD TAKE THE LEAD IN DECIDING WHETHER URBAN SERVICE BOARDS WOULD BE A GOOD IDEA HERE. AND ON ANOTHER QUESTION THAT SHOULD BE DEFERRED FOR A WHILE YET:

I HOPE YOU WILL NOT DECIDE ON THE QUESTION OF A TRI-COUNTY SYSTEM -- BRANT, HALDIMAND AND NORFOLK -- UNTIL COMMISSIONER SMITH MAKES HIS REPORT.

I HOPE NONE OF YOU SEE ANYTHING WRONG WITH DEFERRING DECISIONS ABOUT SOME OF THE MORE CONTENTIOUS OR LESS ORTHODOX RECOMMENDATIONS CONTAINED IN THE HALDIMAND-NORFOLK STUDY. LEGISLATIVE ACTS CREATING REGIONAL GOVERNMENTS ARE IMPORTANT DOCUMENTS, OF COURSE, BUT THEY ARE NOT CHISELLED IN STONE FOR POSTERITY. EVERY ONE OF THEM IS DRAFTED AND PASSED WITH THE THOUGHT THAT IT COULD -- AND SHOULD -- BE AMENDED WHENEVER CIRCUMSTANCES INDICATE SOME NEED FOR CHANGE.

YOUR REGIONAL COUNCIL AND YOUR AREA MUNICIPALITIES MIGHT DECIDE, AFTER TWO OR THREE -- OR TEN -- YEARS, THAT THE TIME WAS RIPE TO ADOPT VARIOUS MEASURES THAT WERE NOT ACCEPTABLE -- OR PERHAPS NOT EVEN CONTEMPLATED -- AT THE TIME THE ORIGINAL LEGISLATION WAS DRAFTED.

IN FACT, I WOULD TURN THE WHOLE PROPOSITION AROUND TO SAY THAT EVERY GOVERNMENT, AND MOST OF ALL A NEWLY ESTABLISHED GOVERNMENT, HAS THE DUTY TO REVIEW ITS OWN WORKINGS PERIODICALLY, TO SEE WHAT CHANGES SHOULD BE MADE IN THE NAME OF ECONOMY, EFFICIENCY AND EFFECTIVENESS.

BUT, HAVING PUT THAT OBSERVATION ON RECORD, I MUST ADD THAT I CANNOT THINK OF ANY PART OF ONTARIO WHERE PEOPLE ARE LESS IN NEED OF ANY REMINDERS ABOUT THE FUNDAMENTALS OF GOOD GOVERNMENT THAN RIGHT HERE IN HALDIMAND-NORFOLK.

I HAVE BEEN TOLD ABOUT THE INDISPENSABLE
ADVICE AND HELP WHICH YOU, AS MEMBERS OF THE JOINT COMMITTEE,
CONTRIBUTED TO THE HALDIMAND-NORFOLK STUDY. I AM WELL AWARE
OF THE IMMENSE AMOUNT OF TIME AND ENERGY MANY OF YOU WERE
DEVOTING TO THIS WHOLE QUESTION LONG BEFORE I TOOK UP MY
PRESENT PORTFOLIO.

FROM MY VANTAGE POINT, IT IS CLEAR THAT THE PROBLEMS
OF LOCAL GOVERNMENT THROUGHOUT ONTARIO TODAY WOULD BE SIGNIFICANTLY
CLOSER TO SOLUTION IF LEADERS IN EVERY REGION WERE TO DEMONSTRATE
AS MUCH ENERGY, VISION AND HARD-NOSED REALISM AS YOU HAVE
DEMONSTRATED HERE IN HALDIMAND AND NORFOLK. YOU HAVE
RECOGNIZED FROM THE OUTSET THAT, AS A MEANS OF COPING WITH
MAJOR GROWTH AND DEVELOPMENT, THERE CAN BE NO SUBSTITUTE
FOR EFFECTIVE LOCAL GOVERNMENT.

EVEN SO, YOU MAY BE HARBOURING SOME ELEVENTH-HOUR
DOUBTS ABOUT REGIONAL GOVERNMENT.

THAT WOULD BE UNDERSTANDABLE. BUT I HOPE YOU WILL FEEL REASSURED WHEN I REMIND YOU THAT YOU WILL BE ENTERING INTO THIS NEW ARRANGEMENT WITH MUCH HELP AND SUPPORT FROM THE PROVINCE, AND THAT THE MOVE REPRESENTS A STEP INTO POLITICAL MATURITY. YOU ARE BEING INVITED TO DECLARE, IN EFFECT: "YES, WE CAN RUN OUR OWN AFFAIRS, LOCALLY AND REGIONALLY, TO A GREATER EXTENT THAN EVER BEFORE."

AND, AFTER ALL, WHO IS BETTER QUALIFIED -- OR HAS MORE RIGHT -- TO SAY HOW THIS PART OF ONTARIO SHOULD TAKE SHAPE, THAN THE RESIDENTS AND LEADERS OF THIS REGION ITSELF?

AND WHO COULD POSSIBLY BE MORE CONCERNED ABOUT PROTECTING THE LOCAL LANDSCAPE THAN THE PEOPLE WHO LIVE ON IT AND ENJOY IT EVERY DAY OF THE YEAR?

IN SUMMING UP, I CAN'T REALLY IMPROVE ON THE CLOSING PASSAGE OF ONE OF NIGEL RICHARDSON'S BACKGROUND PAPERS, WHERE HE SAID:

THE CITIZENS OF THE HALDIMAND-NORFOLK STUDY AREA ARE IN A RATHER ENVIABLE POSITION. WHILE THEY ARE FACED WITH THE PROSPECTS OF LARGE-SCALE URBAN DEVELOPMENT, THE SLATE IS STILL RELATIVELY CLEAN.

HALDIMAND-NORFOLK DOES NOT FACE THE PROBLEM OF CORRECTING A LOT OF PAST MISTAKES AS DO MANY OTHER AREAS WHICH HAVE DEVELOPED IN EARLIER PERIODS. THE CITIZENS OF HALDIMAND-NORFOLK HAVE THE OPPORTUNITY TO TAKE PART IN SHAPING THEIR FUTURE ENVIRONMENT FOR GENERATIONS TO COME IF THEY SEIZE THE OPPORTUNITY TO ESTABLISH STRONG, EFFECTIVE LOCAL GOVERNMENT EQUAL TO THE CHALLENGES THAT LIE AHEAD.

LADIES AND GENTLEMEN, I URGE YOU TO SEIZE THAT OPPORTUNITY AND SEIZE IT NOW.

IF YOU AGREE THAT WE CAN -- AND SHOULD -- ADOPT THE TIMETABLE I OUTLINED, LET US HAVE YOUR SUGGESTIONS AS SOON AS POSSIBLE. AT THAT POINT, OUR PEOPLE WILL BE PREPARED TO START DISCUSSING THE PROBLEMS, SOLUTIONS AND ALTERNATIVES IN DETAIL.



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-1277

STATEMENT

to the Legislature

BY

FLOYD LAUGHREN

**TREASURER OF ONTARIO AND
MINISTER OF ECONOMICS**

ON

THE ONTARIO FISCAL OUTLOOK

AND

MAJOR TRANSFER PAYMENTS

21 JANUARY 1992

CHECK AGAINST DELIVERY



Good evening, ladies and gentlemen:

Today I am reporting to you on Ontario's current economic and financial outlook for the coming year. As part of my report, I will also announce the allocations to hospitals, universities, colleges, school boards and municipalities for 1992, 1993 and 1994.

The Fiscal Outlook for 1992-93 being released today makes it clear that our economy continues to be battered by a number of international and domestic forces. But it also restates our conviction that this province has the will, the people, and the resources to fight the effects of that battering.

The release of this Fiscal Outlook begins a process that dramatically changes budget-making in Ontario.

Traditionally, governments in Canada have developed the budget in secrecy, to prevent individuals from profiting from advance knowledge of new tax measures. Over the years, governments have expanded budget secrecy to the point that it now routinely prevents advance disclosure of any information about a new budget.

This traditional approach doesn't allow people to learn what choices the government faces in drawing up a budget. Nor does it allow Ontarians to take part in informed pre-budget discussions on how public finances should be managed.

In the 1991 budget we promised to introduce major changes that would open up the budget-making process. By taking the unprecedented step of releasing this fiscal outlook, we are bringing budget-making into the 1990s.

This year, we are taking the first steps in moving towards more meaningful consultations with entire sectors of the economy, and towards providing more information to the public. We will be holding a series of roundtable discussions starting next month, to bring together representatives of workers, employers and other organizations to hear their views.

We believe the new openness of this pre-budget discussion process will help everyone in Ontario better understand the choices their government must make, and help the government better understand the views and priorities of the people of Ontario.

That brings me to the economic situation in the province.

We are part of a world-wide transformation that is changing how economies function. These are permanent changes, and like many other countries and regions in the world, Ontario is struggling to find its footing in this new global reality.

At the same time we are confronting the effects of the Free Trade Agreement on our economy -- in particular on our manufacturing sector -- plus a high dollar, and the federal Goods and Services Tax.

Circumstances have also changed since our last budget. The severe slump in the North American economy, which really began to hit Ontario in the latter part of 1990, is lasting longer than anyone had anticipated. It has eroded both consumer and business confidence.

The United States' economy, which has such a strong influence on us, shows only modest signs of recovering in the short term. Because of this, Treasury's economic forecasts for 1992-93 are lower than was projected late last year.

Ontarians know full well the difficulties being wrought by these economic forces. The message of this government is clear -- we are on your side. We are committed to making the policy choices that will see Ontario emerge from this period of economic hardship better able to fulfil our long-term goals of a fair and just society.

On a positive note, we *do* anticipate the beginnings of a recovery in Ontario in 1992; we believe that real growth in the economy will be about 2.2 per cent. That is only a modest upturn, but after two years of economic contraction it is good news. We also foresee moderate growth in the three following years.

However, the recession and the slow recovery have had a serious impact on the province's finances.

Almost the first news this government heard after its election in September 1990 was there was to be an unforeseen drop in provincial revenues. Instead of finding a balanced budget, as proclaimed by the previous government before the election, the new government found a substantial deficit for 1990-91.

Then in 1991 for the first time since 1945, revenues actually dropped. This is a dramatic reversal from the 1980s. During the past decade, revenues increased substantially every year, both because of a vigorous economy and because of major tax increases.

In the Fiscal Outlook I'm releasing today, we describe a "no-change" fiscal scenario for 1992-93. Let me be clear, this "no-change" scenario is unacceptable to the government.

Based on this scenario, we would experience -- for the first time ever -- two consecutive years of declining revenues. In last year's budget, we planned for revenues of \$47.2 billion for 1992-93. Under the "no-change" scenario, revenues would be \$5 billion lower than our earlier expectations. Although slightly over \$1 billion of this shortfall is due to tax measures that had been planned for 1992-93, the balance of the decline -- almost \$4 billion -- is the result of continuing weakness in the economy.

As a result of the recession, personal income tax revenues are continuing to decrease, and that will offset the modest growth we anticipate in retail sales and corporate taxes for 1992. Even as the economy strengthens over the next few years, revenues, typically, will not recover at the same pace.

On the expenditure side, last year's budget called for expenditures of \$51.7 billion for 1992-93. Under the "no-change" scenario our operating expenses would be \$53.4 billion. This "no-change" scenario already incorporates all major government decisions on expenditures to date, including our decision to increase social assistance rates by two per cent this year, and the decisions I will be announcing presently on provincial transfers and ministry spending.

Although our expenditures could be \$1.7 billion more than the amount we planned last spring, more significantly our revenues could be \$5 billion less than planned.

The "no-change" scenario -- which I stress is absolutely unacceptable to this government -- would see a potential \$11.2 billion operating deficit. If you add to this figure regular capital investment maintained at last year's level, then our new financing requirements for capital and operations for 1992-93 would be an unacceptable \$14.3 billion.

While recognizing the significant and unexpected erosion of our revenue base, the government is still striving to reduce the deficit in 1992-93. We are aware that this will mean making some very tough decisions.

And I want to re-emphasize that this "no-change" scenario is not acceptable to this government. It merely serves as a starting point for discussion on the tough decisions that are needed relating to revenues, expenses and the deficit.

Without strong and determined action to both control the deficit and rebuild the economy, our borrowing would climb, and more and more of our revenues would have to be used to pay interest on the provincial debt.

We are determined that the measures we take must respect the same principles that shaped the last budget -- fighting the recession, promoting economic renewal and preserving the quality of life in our communities through social justice and good public services.

That is why we are maintaining our funding commitment to reform long-term care services and pay equity for hundreds of thousands of women in low-wage jobs.

Ontario *must* generate economic renewal that will create and maintain jobs, attract dynamic new investment and promote consumer and business confidence.

As we plan the budget, we believe it is important to draw a distinction between operating and capital expenditures, as do most jurisdictions in North America. Capital expenditures invest in the long-term health of Ontario by preserving the physical infrastructure, such as our roads, public transit, hospitals and schools, and by maintaining and creating jobs. We feel this is important.

For that reason, we are striving to reduce the operating side of the accounts with vigorous efforts to control growth in expenditures. As I announced last October, we have begun reviews of all major spending programs to look for ways to deliver services with greater efficiency and less waste, and where necessary, to overhaul programs that are not meeting the public's needs or the government's priorities.

These reviews provide us with an opportunity to make long-needed reforms within the public sector, and to provide less costly and better service to the public.

In the Fiscal Outlook, we outline a number of ways in which we will continue this process, so we can deliver our public services more effectively.

That brings me to the major transfer payments, which I mentioned earlier. Given the severe limits on what we can afford over the next few years, we must all share the responsibility for reforming the cost and delivery of public services.

This must include our major transfer partners -- hospitals, schools, colleges and universities, and municipalities, and involve all those affected -- employers, workers and their trade unions, clients and their communities. To help plan the reform and restructuring that must take place in each of these sectors, I am today announcing their funding levels for the next three years.

For 1992, we have taken the very difficult decision of holding these payments to an increase of only one per cent over last year. This means, nonetheless, that the province will be providing about \$16 billion -- more than 30 per cent of its total budget -- directly to these agencies to preserve the services they now provide. For each of the two following years, transfer agencies will receive a two per cent increase.

The government recognizes the difficulties this presents for transfer agencies, their employees, and their trade unions. We have budgeted \$160 million for 1992-93 to assist our partners with the restructuring and reform they will need to undertake to meet their multi-year fiscal targets.

These funds will be available as an incentive to encourage innovations in collective bargaining and service delivery.

These funds are earmarked strictly to help with the transition and reform process, and will only be apportioned after agreement is reached between provincial ministries, transfer agency representatives, and their unions.

We are looking to our transfer partners to bring to these discussions clear and detailed plans for maintaining affordable and effective levels of service. They must illustrate a commitment to working in close cooperation with the people who provide the services and the people who use them.

This government and the Ontario Public Service Employees Union led by example in reaching a tentative agreement, for a one per cent increase this year and a two per cent increase for the following year, with improved employment and other benefits.

The OPSEU settlement is an indication of what can be accomplished through innovative collective bargaining. It demonstrates that mutual agreements are possible in difficult times, and can preserve our public and social services given the current reality.

Moderation in wage increases will also protect jobs. We are inviting our partners to come forward with innovative and equitable plans for preserving services, maintaining employment and reducing costs.

In opening up this process, we are looking for informed debate by the people of Ontario on the difficult choices that must be made. However, we also believe that the challenging fiscal environment now confronting Ontario gives us all the opportunity to set a new course in the way government spends tax dollars. If we can establish priorities in our public services and rethink the way we deliver them, future generations will be the beneficiaries.

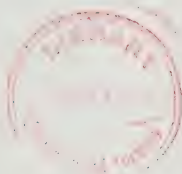
Government and society as a whole will be judged by future generations on the quality and fairness of the decisions we will make in the next few months.

Thank you.



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MINISTRY OF TREASURY AND ECONOMICS



STATEMENT

[to the Legislature]

BY

THE HONOURABLE FLOYD LAUGHREN

TREASURER OF ONTARIO AND MINISTER OF ECONOMICS

ON

MAJOR TRANSFER PAYMENTS

MONDAY, FEBRUARY 11, 1991

CHECK AGAINST DELIVERY

I am announcing today the 1991-92 funding levels to the Province's major transfer recipients. These include hospitals, universities, colleges, school boards and municipalities.

This announcement is made prior to the spring Provincial Budget to allow recipients to plan their own budgets for the next year. In the case of school boards and municipalities, their fiscal year began January 1. Most hospitals and post-secondary institutions will begin their new fiscal year on April 1.

The major transfers announcement is an important component of the Province's budgetary process. The 1991-92 transfers I am announcing today will account for approximately 30 per cent of the Province's expenditures.

In previous years, the major transfers announcement has been made in November or December. This year's announcement has been delayed to allow the Government sufficient time to evaluate the needs of our major transfer recipients, the economic and fiscal environment and the many other competing expenditure pressures faced by Government.

The Government's objective in deciding on the levels of transfer funding has been to balance our social concerns and responsibilities with the requirements of prudent management of the Province's finances.

We are particularly concerned about the current economic environment in Ontario. The recession is expected to last for much of this year.

I will be providing a revised economic forecast in the upcoming Ontario Budget. Meanwhile, it is clear to most observers that this is a serious recession affecting people and communities as well as a number of sectors of the economy. Though we are beginning to see a decline in interest rates, we expect the recovery will not begin until the second half of the year, at the earliest.

The recession will have a significant impact on the Province's fiscal position. Many of our revenues are closely tied to economic activity and are being dampened. At the same time, the recession is increasing the upward pressure on the Province's expenditures, particularly in the area of social programs.

The next fiscal year will also see the Province bearing the full impact of the cuts in federal transfer payments announced in the last federal budget.

Clearly, the Province's ability to provide the level of funding being requested by our transfer partners is being severely limited. However, we do not believe that this is the time to panic and take extreme measures. Difficult times create spending needs that no responsible government can ignore.

If we do not provide adequate funding to our transfer partners now, we will simply be delaying and increasing costs in the future, neglecting the people and institutions that need assistance during difficult times, and risking a real deterioration in the quality of the programs Ontarians support.

I believe that the 1991-92 funding levels for our major transfer recipients that I am announcing today are responsive to the needs of these important sectors and, at the same time, are responsible given the need to balance current fiscal and social requirements.

These transfers are considerably less than our transfer partners had requested. The levels I am announcing today support essential program requirements given increasing costs and utilization. We are aware that this funding may only be adequate to permit the maintenance of current service levels, and that this may result in difficult service realignments.

I know our transfer partners will understand the economic constraints Ontario is facing and will manage within their allocations.

I am also announcing today a commitment by the Government to assist transfer partners with the costs of pay equity. The cost of addressing the historic undervaluation of women's work will fall in part on public sector employers who are primarily dependent on the Province for funding. That is why, in the coming Ontario Budget, I will set aside \$100 million to assist major transfer agencies with the cost of actual pay equity adjustments due in 1991-92. In doing this, the Government is reaffirming its commitment to the right of women to fair and equitable wages.

This pay equity assistance will be in addition to the transfer increases I am announcing today. The ministries responsible will be in touch with the major transfer groups to explain how to access these funds.

The funding levels for our major transfer partners are as follows.

In 1991-92, operating grants to universities will increase by 7.3 per cent to \$1,956 million. Operating grants to Colleges of Applied Arts and Technology will also increase by 7.3 per cent to \$828 million.

The Government is aware that there is much to be done in our post-secondary system. But we cannot do it all now, particularly in these economic circumstances. These allocations include allowances for inflation and enrolment growth.

Nevertheless, the Government remains committed to building a solid foundation for the renewal of our post-secondary system. My colleague, the Minister of Colleges and Universities will be continuing his consultations with students, faculty and administrators to pursue that objective.

In 1991-92, the allocation for the operation of hospitals will be \$7,325 million, an increase of 9.5 per cent or \$638 million. This will only provide for the essential cost increases caused by inflation, utilization pressures, life support programs, continuing and new hospital programs many of which involve commitments made in previous years, and a continuance of the transitional funding initiative.

This transfer has been increased to include the Government's full provision for all wage settlements in 1991-92, including that of the nurses.

While we recognize that it may be difficult, hospitals will be expected to manage within this allocation for the coming year.

School boards will receive an increase of 7.9 per cent in their operational funding for 1991-92, bringing their total allocation for operating expenses to \$4,879 million.

We are aware that this transfer level is not likely to significantly change the rate of provincial support for education. The money simply is not there at this time. However, the Government remains committed to investing in education and recognizes the funding pressures that school boards are currently facing. Consensus is needed with respect to the investment required to sustain ideal funding levels and the Government will begin consultations to achieve that objective shortly.

Unconditional grants to municipalities will increase by 5.0 per cent for 1991-92, to \$948 million. Municipal roads grants, including continued funding for the Transportation Capital Plan, will increase by 5.5 per cent, to \$793 million. Further announcements with respect to other municipal transfers will be made by the appropriate ministries.

The Government has heard from municipalities about the urgent need for reform of the relationship between the Province and local government. It is clear that current provincial/local arrangements must be made simpler, fairer and more efficient. It is also clear that the people of the Province want services to be more accessible, more responsive and better coordinated.

We have listened and we agree. A fundamental look at roles and responsibilities is needed in order to realize meaningful reform, which is a high priority of this Government.

We intend to expand our consultations and participatory involvement of the broad array of people who use, pay for, and deliver government services.

Some of these challenges will be tackled with the assistance of the Fair Tax Commission which will be underway soon. These challenges will require a joint effort with our counterparts in local government. Serious dialogue is essential if we are to address needed changes with prudence and fairness.

Further announcements of details regarding transfer funding levels will be made shortly by my Cabinet colleagues.

I have stated before that I expect the deficit to rise in the next fiscal year. This is primarily due to factors which are not in the direct control of any provincial government - factors such as federal cutbacks in transfers, and a recession driven by federal monetary policies, which is cutting revenues and increasing expenditures.

However, the Government intends to manage the programs that are within its scope of control in order to maintain a fiscal situation that is manageable while providing responsible levels of support for the services and programs that Ontarians rely on. The transfers I have announced today are consistent with that goal.

In these difficult economic times, we must all do what we can to manage and control our budgets. I am aware that our transfer partners have legitimate needs that far exceed the allocations announced today. However, we all have a role in dealing with the realities of the recession and must manage accordingly.

I hope our transfer partners will join with the Government as we search for innovative and long-range solutions that will allow us to achieve the best possible balance of meeting fiscal responsibilities while addressing people's needs. This may entail making even more difficult decisions in the future. But we must all work together in order to lay a solid foundation for economic recovery.



Ontario

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REMARKS TO

THE ANNUAL MEETING
OF THE ONTARIO CHAMBER OF COMMERCE

BY

THE HONOURABLE LARRY GROSSMAN
MINISTER OF EDUCATION
ON BEHALF OF
HONOURABLE BETTE STEPHENSON, M.D.
DEPUTY PREMIER OF ONTARIO
TREASURER AND MINISTER OF ECONOMICS

SARNIA, ONTARIO

MAY 28, 1985

NOTES ONLY
CHECK AGAINST DELIVERY

I AM DELIGHTED TO HAVE THIS OPPORTUNITY TO SPEAK TO THE ANNUAL MEETING OF THE CHAMBER OF COMMERCE TODAY TO SHARE SOME THOUGHTS ON WHERE I BELIEVE THE ECONOMY IS HEADED, HOW I THINK THE FEDERAL BUDGET WILL AFFECT OUR PERFORMANCE, AND WHAT I SEE AS THE PRIORITIES THE GOVERNMENT WILL HAVE TO ADDRESS.

THE OPPORTUNITY TO SPEAK TO YOU IS ALL THE MORE IMPORTANT AS THE BUSINESSES AND COMMUNITIES YOU REPRESENT MUST PLAY A MAJOR ROLE IN MEETING THE CHALLENGES THAT LIE AHEAD.

.../2

OVER THE YEARS, YOU HAVE TOLD US THAT GOVERNMENT HAS BECOME TOO BIG, TOO OVERPOWERING. YOU WARNED US OF THE NEGATIVE EFFECTS ON THE BUSINESS COMMUNITY IN GENERAL, AND THE ENTREPRENEURIAL SPIRIT IN PARTICULAR.

MOST RECENTLY, IN YOUR MARCH PRE-BUDGET MEETING WITH MY PREDECESSOR, THE HONOURABLE LARRY GROSSMAN, YOU URGED CONTINUING EFFORTS TO REDUCE THE PROVINCIAL DEFICIT, PUBLIC SECTOR WAGE SETTLEMENTS IN LINE WITH THOSE IN THE PRIVATE SECTOR, AMENDMENTS TO BUSINESS TAXATION, PENSION REFORM, AND RELIANCE ON THE MARKET SYSTEM.

YOU NOTED THAT THE PRE-BUDGET CONSULTATIVE PROCESS IS "VERY WORTHWHILE", AND THAT SEVERAL RECOMMENDATIONS IN YOUR SUBMISSION LAST YEAR WERE INCORPORATED IN THE TREASURER'S 1984 BUDGET, INCLUDING TAX EXEMPTIONS TO STIMULATE SMALL BUSINESS GROWTH AND THE YOUTH VENTURE CAPITAL PROGRAM.

YOU SAID AT THE TIME: "WE BELIEVE ONTARIO IS TAKING THE RIGHT APPROACH IN MOVING AWAY FROM SHORT-TERM GOVERNMENT-SPONSORED MAKEWORK PROJECTS TO A RELIANCE ON LONG-TERM MEANINGFUL JOBS GENERATED BY ECONOMIC GROWTH."

WE HAVE LISTENED AND ACTED. NOW WE NEED
AND EXPECT YOUR HELP AS WE WORK TO REINFORCE ONTARIO'S
ECONOMIC AND SOCIAL PROGRESS.

THAT'S IF MR. RAE WILL LET US.

THE TRUTH IS THAT ONTARIO'S RECORD OF FISCAL
MANAGEMENT IS ONE OF WHICH WE CAN BE JUSTLY PROUD.

WE HAVE CONSTRAINED THE GROWTH OF GOVERNMENT,
REDUCED THE SIZE OF OUR BUREAUCRACY, AND RETAINED THE
FLEXIBILITY TO MAINTAIN AND ENHANCE THE QUALITY AND
STANDARDS OF OUR SOCIAL AND ECONOMIC INFRASTRUCTURE.

WE HAVE DONE THIS, AND I WILL DEMONSTRATE
HOW.

IN 1975, THE GOVERNMENT OF ONTARIO EMPLOYED
87,109 PUBLIC SERVANTS. TODAY THERE ARE 80,131.

THE LEVEL OF OUR DEFICIT ON A PER CAPITA
BASIS IS THE LOWEST OF ANY PROVINCE IN CANADA.

BUT THAT MIGHT NOT LAST LONG. WHAT I
FEAR MOST IS THAT THE ALLIANCE OF EXPEDIENCY, THE
NEW LIBERAL PARTY--GOVERNED BY PRESIDENT PETERSON
AND VICE-PRESIDENT RAE--WILL SELL OUR FUTURE TO THE
COLLECTION AGENCY.

IN A VERY SHORT TIME, THIS DYNAMIC DUO
WILL DOUBLE OR TRIPLE THE DEFICIT. THAT'S RIGHT,
DOUBLE OR TRIPLE THE DEFICIT. FOR MR. RAE, IT'S
EASY COME, EASY GO. FOR MR. PETERSON, IT'S AS
MR. RAE SAYS.

THEIR DEAL IS BASED UPON A TOTAL ABROGATION
OF THE RIGHTS AND RESPONSIBILITIES OF OUR PARLIAMENT
--PARTICULARLY TO HOLD GOVERNMENT ACCOUNTABLE ON BUDGET
POLICY.

THE NEW ALLIANCE IS BASED ON, LET'S MAKE
A DEAL, BUT THIS IS NO GAME.

INSTEAD, I AM SURE, THE WOULD-BE PARTNERS
IN POWER WILL BASE OUR FUTURE ON A HIGH SPENDING
AGENDA THAT THROWS THE TRIPLE-A CREDIT RATING--
OUR HARD-EARNED TRIPLE-A CREDIT RATING--INTO DISARRAY
AND DEBILITATING DEBT.

IN FACT, IT WILL MAKE A MOCKERY OF ALL THE
CARE AND THE PRUDENCE WE HAVE SHOWN TO DATE.

BUT WE WILL SPEAK OUT, AS I SPEAK OUT TODAY,
AND WE WILL PERSEVERE AS LONG AS WE HONOURABLY CAN.
WE WILL DO SO IN THE TRADITION OF OUR PAST, FOR
HOPE AND COMMITMENT TO THE FUTURE, AND BECAUSE OF OUR
LOVE OF THIS PROVINCE AND ITS PEOPLE.

IN ONTARIO, WE HAVE ESTABLISHED A CLIMATE
OF CONFIDENCE AND AN ENVIRONMENT FOR BUSINESS GROWTH
AND DEVELOPMENT FOR OUR PEOPLE.

AT THE SAME TIME, WE HAVE ENSURED THAT THE
RESOURCES ARE AVAILABLE TO PROVIDE SOCIAL, EDUCATIONAL
AND HEALTH SERVICES THAT ARE AMONG THE BEST IN
CANADA AND IN NORTH AMERICA, AND IN THE WORLD.

WE HAVE DONE SO BECAUSE WE HAVE MANAGED
WELL AND WE HAVE LISTENED WELL.

ALSO, WE HAVE RECOGNIZED THE IMPORTANT
ROLE THE SMALL BUSINESS SECTOR PLAYS IN JOB CREATION,
AND WE HAVE TAKEN SPECIAL MEASURES TO MEET ITS NEEDS.

RATHER THAN IGNORE THE ECONOMIC AND SOCIAL
TRANSFORMATION TAKING PLACE WORLDWIDE, WE HAVE MOVED
TO CAPITALIZE ON THE OPPORTUNITIES AND MINIMIZE THE
DISRUPTIVE EFFECTS.

WE HAVE REINFORCED OUR SUPPORT TO
TECHNOLOGICAL DEVELOPMENT AND DIFFUSION, TO EXPORT
MARKETING, TO THE PROVISION OF TRAINING OPPORTUNITIES.

WE ARE WORKING WITH OUR COMMUNITIES TO
- ASSIST THEIR DEVELOPMENT WITHIN A CHANGING ECONOMIC
AND SOCIAL ENVIRONMENT.

WE HAVE INCREASED OUR EFFORTS IN THE
PROVISION OF CHILD CARE, IN PROVIDING EMPLOYMENT
AND TRAINING OPPORTUNITIES FOR OUR YOUNG PEOPLE,
AND IN HELPING THOSE ON ASSISTANCE ACHIEVE
INDEPENDENCE.

WE HAVE EXPANDED OUR SUPPORT TO THE
ELDERLY. WE ARE ADDRESSING THE URGENT PROBLEM OF
FAMILY VIOLENCE. IN OTHER WORDS, WE HAVE NOT BEEN
SITTING STILL.

ONTARIO'S ECONOMIC PERFORMANCE IS AFFECTED
BY MANY DEVELOPMENTS BEYOND OUR CONTROL, HOWEVER.
YOU KNOW THIS. I KNOW THIS.

WHAT HAPPENS INTERNATIONALLY WILL HAVE A
MAJOR IMPACT ON WHAT HAPPENS HERE. YET I BELIEVE
THE POLICIES WE HAVE IMPLEMENTED, AND OUR RECORD OF
FISCAL MANAGEMENT, HAVE BEEN AN UNDERLYING SOURCE
OF STRENGTH.

THE NEWS ON THE ECONOMIC FRONT IS ENCOURAGING. THE ONTARIO ECONOMY IS IN THE MIDST OF A SOUND AND SUBSTANTIAL RECOVERY. WE ARE POISED FOR A THIRD CONTINUOUS YEAR OF GROWTH.

INFLATION HAS DECLINED AND IS EXPECTED TO REMAIN MODERATE. UNEMPLOYMENT, WHILE STILL TOO HIGH, WILL CONTINUE TO DECLINE DESPITE RAPID LABOUR FORCE GROWTH.

ONTARIO'S RECENT ECONOMIC PERFORMANCE HAS BEEN STRONG IN COMPARISON TO THE REST OF CANADA.

SINCE THE NOVEMBER 1982 EMPLOYMENT TROUGH, ONTARIO EMPLOYMENT HAS GROWN BY 10.8 PER CENT WHILE EMPLOYMENT IN THE REST OF CANADA HAS RISEN BY 5.5 PER CENT.

ONTARIO JOB CREATION HAS BEEN PARTICULARLY STRONG IN 1985. SINCE DECEMBER, EMPLOYMENT HAS RISEN BY 2.1 PER CENT IN ONTARIO, COMPARED TO 0.5 PER CENT IN THE REST OF CANADA.

SINCE THE END OF THE RECESSION IN 1982, 431,000 JOBS HAVE BEEN CREATED IN THE PROVINCE, INCLUDING 147,000 LAST YEAR, AND I EXPECT CONTINUED STRONG JOB CREATION THIS YEAR. WHILE STILL FAR TOO HIGH, UNEMPLOYMENT AMONG OUR YOUNG PEOPLE IS AT LEAST DECLINING.

ONTARIO IS EXPECTED TO OUTPERFORM THE
COUNTRY AS A WHOLE ON THE INVESTMENT FRONT THIS YEAR.

ACCORDING TO STATISTICS CANADA, INVESTMENT
WILL INCREASE BY 10.4 PER CENT, WELL ABOVE THE
4.9 PER CENT INDICATED FOR THE REST OF THE COUNTRY.

NET EXPORT GROWTH, WHICH REACHED A
SPECTACULAR 27 PER CENT IN 1984, WILL CONTINUE TO
GROW BUT AT MORE SUSTAINABLE RATES.

AUTO PRODUCTION REACHED AN ALL-TIME
HIGH IN 1984, REFLECTING STRONG CONSUMER DEMAND IN
CANADA AND THE U.S. EMPLOYMENT IN THE INDUSTRY
RECOVERED TO PRE-RECESSION LEVELS. STEEL PRODUCTION
INCREASED STRONGLY IN RESPONSE TO A SURGE IN DOMESTIC
AUTO MANUFACTURING AND EXPORTS TO THE U.S.

FOREST PRODUCTS PRODUCTION REACHED NEAR-RECORD
LEVELS AND MINING PRODUCTION INCREASED AS PRODUCERS
REPLENISHED INVENTORIES. THE FINANCIAL SECTOR CONTINUES
TO SHOW STEADY GROWTH.

THE STEEL INDUSTRY IN ONTARIO SHOWED STRONG
PERFORMANCE ALONG WITH MASSIVE CAPITAL EXPENDITURE
PLANS. STEEL PRODUCTION AND SHIPMENTS BY THE THREE
LARGEST PRODUCERS INCREASED SOME 13 PER CENT IN 1984.

ONTARIO'S STEEL INDUSTRY IS IN THE PROCESS OF MODERNIZING, AND WILL BE INVESTING ABOUT \$1.25 BILLION OVER THE NEXT FEW YEARS.

ANTICIPATED STRENGTH IN THE ENERGY SECTOR AND NON-RESIDENTIAL CONSTRUCTION ARE EXPECTED TO PROVIDE AN IMPETUS TO THE INDUSTRY.

IN THE FORESTRY SECTOR, CROWN TIMBER HARVESTS REACHED A MODERN-DAY RECORD OF 20 MILLION CUBIC METRES.

THIS REFLECTED A 10 PER CENT INCREASE IN ONTARIO'S PULP AND PAPER OUTPUT, THANKS TO IMPROVED DOMESTIC DEMAND AND EXPORTS TO THE UNITED STATES. DESPITE INTENSE COMPETITION IN THE LUMBER SECTOR, ONTARIO'S LUMBER OUTPUT ALSO EXPANDED LAST YEAR.

THE MINING INDUSTRY SHOWED STRONG GROWTH DURING 1984. THE VALUE OF MINERALS PRODUCTION INCREASED FROM \$3.6 BILLION IN 1983 TO \$4.4 BILLION IN 1984 FOR A GROWTH OF 22 PER CENT.

INDICATIONS ARE THAT THE INDUSTRY WILL SHOW FURTHER GROWTH IN 1985, AS THE PRICE OF MAJOR BASE METALS IS SHOWING SIGNS OF STRENGTH IN INTERNATIONAL MARKETS.

IN CONSTRUCTION, ONTARIO HOUSING STARTS REMAINED DISAPPOINTINGLY LOW IN 1984, BUT NON-RESIDENTIAL CONSTRUCTION SURGED LATE IN THE YEAR.

IN THE FIRST QUARTER OF 1985, ONTARIO CONSTRUCTION EMPLOYMENT INCREASED NEARLY 17 PER CENT AS NON-RESIDENTIAL CONSTRUCTION CONTINUED ITS PACE.

RESIDENTIAL CONSTRUCTION IS EXPECTED TO PICK UP SOON WITH THE FAVOURABLE INTEREST RATE SITUATION.

OVER THE MEDIUM-TERM, WE EXPECT ONTARIO'S ECONOMY TO GROW FASTER THAN CANADA AS A WHOLE.

OUR MANUFACTURING AND SERVICE INDUSTRIES ARE FORECAST TO EXPERIENCE RELATIVELY STRONG GROWTH COMPARED TO THE RESOURCE INDUSTRIES WHICH WILL BE HAMPERED BY SLUGGISH COMMODITY PRICE RECOVERY.

BARRING MAJOR SHOCKS TO THE WORLD ECONOMIC SYSTEM, WE ARE EXPECTING RELATIVE PRICE STABILITY, STEADY GROWTH IN EMPLOYMENT AND A SIGNIFICANT DECLINE IN UNEMPLOYMENT BY 1990.

WITH THIS BACKDROP IN MIND, LET ME TURN FOR A MOMENT TO LAST THURSDAY NIGHT AND THE FIRST BUDGET OF THE NEW FEDERAL GOVERNMENT.

AS A NEW TREASURER, I CAN APPRECIATE THE FINANCE MINISTER'S DILEMMA. IT IS ALWAYS DIFFICULT TO STRIKE THE BALANCE BETWEEN GOOD MONEY MANAGEMENT AND THE NEED TO MEET URGENT PRIORITIES.

IN MR. WILSON'S CASE, THE PROSPECT MUST HAVE SEEMED DAUNTING. LARGE AND GROWING DEFICITS SEVERELY CONSTRAINED HIS FLEXIBILITY.

IN THAT CONTEXT, AND IN LIGHT OF THE FORECAST SLOWDOWN IN GROWTH IN 1985, HIS PROJECTED \$2 BILLION DECLINE IN THE DEFICIT IN 1985-1986 IS MODEST, BUT ENCOURAGING.

TOGETHER WITH THE PLANNED REDUCTIONS THROUGH THE REMAINDER OF THE DECADE, IT REPRESENTS A BEGINNING TO WHAT WILL BE THE LONG AND DIFFICULT TASK OF SETTING THE NATIONAL FISCAL HOUSE IN ORDER.

I SAY DIFFICULT BECAUSE, IN SPITE OF THE MEASURES TAKEN, PUBLIC DEBT INTEREST AS A PER CENT OF TOTAL SPENDING, AND AS A PER CENT OF GNP, WILL CONTINUE TO RISE STEADILY TO THE END OF THE DECADE.

WITH RESPECT TO PENSIONS, ONTARIO WELCOMES THE FEDERAL ADOPTION OF THE PROVINCIAL CONSENSUS ON EMPLOYMENT PENSION PLAN REFORM DEVELOPED UNDER THE LEADERSHIP OF MY PREDECESSOR.

AMENDMENTS TO THE PENSION BENEFITS STANDARDS ACT TO PROVIDE FOR EARLIER VESTING, PORTABILITY, SURVIVOR BENEFITS, COVERAGE OF PART-TIME WORKERS AND MINIMUM EMPLOYER CONTRIBUTIONS REPRESENT A MAJOR STEP FORWARD.

THE BUDGET DOES PROVIDE IMPORTANT SUPPORT FOR SMALL BUSINESS DEVELOPMENT. IN RESPONSE TO ONTARIO'S 1984 BUDGET REQUEST, THE FEDERAL GOVERNMENT INTRODUCED MEASURES TO INCREASE THE AVAILABILITY OF RRSP FUNDS FOR INVESTMENT IN SMALL BUSINESS.

ONTARIO IS ALSO PLEASED TO NOTE A FAVOURABLE FEDERAL REACTION TO ITS ADVICE TO ENHANCE THE ABILITY OF EMPLOYER-SPONSORED PRIVATE PENSION PLANS OR REGISTERED PENSION PLANS TO INVEST IN SMALL BUSINESS. THEY WILL PROVIDE A SIGNIFICANT NEW SOURCE OF EQUITY CAPITAL AT MINIMAL COST TO GOVERNMENT.

AS WELL, FEDERAL PARTICIPATION IN ENCOURAGING THE PROVISION OF VENTURE CAPITAL TO SMALL AND MEDIUM-SIZE BUSINESSES THROUGH LABOUR-SPONSORED VENTURE CAPITAL FUNDS WILL REINFORCE EXISTING PROVINCIAL EFFORTS.

THE INCREASE IN GAS TAXES WAS MUCH LESS THAN PRE-BUDGET SPECULATION WOULD HAVE US BELIEVE. AND THERE IS NO QUESTION THAT FRANK MILLER'S STRONG REPRESENTATIONS TO THE PRIME MINISTER HAD SOMETHING TO DO WITH THIS.

THERE IS AN AREA WHERE I WAS FRANKLY DISAPPOINTED. IT IS MR. WILSON'S ANNOUNCEMENT THAT HE INTENDS TO SEEK TO LIMIT THE RATE OF GROWTH OF TRANSFERS TO THE PROVINCES TO YIELD ANNUAL SAVINGS OF \$2 BILLION BY THE END OF THE DECADE.

TO COUCH THIS INTENTION IN THE LANGUAGE OF 'FAIRNESS' IN THE DISTRIBUTION OF CUTBACKS IS TO IGNORE FUNDAMENTAL FACTS.

FIRST, FEDERAL TRANSFERS TO THE PROVINCES DO NOT ENRICH PROVINCIAL COFFERS. RATHER, THEY SUPPORT A RANGE OF SERVICES AND FACILITIES CRITICAL TO OUR ECONOMIC AND SOCIAL INFRASTRUCTURE.

FEDERAL ASSISTANCE HAS BEEN INSTRUMENTAL IN THE DEVELOPMENT OF OUR HEALTH AND POST-SECONDARY EDUCATION SYSTEMS. IT REMAINS ESSENTIAL FOR THE MAINTENANCE AND IMPROVEMENT OF THE QUALITY AND STANDARDS OF THOSE SYSTEMS.

YET FOR ALMOST A DECADE THE FEDERAL GOVERNMENT HAS BEEN CUTTING BACK IN ITS TRANSFERS.

SECOND, CUTBACKS IN SUPPORT TO THE PROVINCES DO NOT MEAN THE OVERALL DEFICIT LOAD IS REDUCED. RATHER, THE DEFICIT IS PASSED DOWN FROM ONE LEVEL OF GOVERNMENT TO ANOTHER.

THE RESULT MAY WELL BE SUBSTANTIALLY INCREASED TAXES AT THE PROVINCIAL LEVEL TO MAINTAIN AND IMPROVE STANDARDS OF SERVICE. THE SAME TAXPAYER PAYS.

GENERALLY, WE BELIEVE THE REVIEW OF FEDERAL PROGRAMS CURRENTLY BEING UNDERTAKEN BY THE GOVERNMENT IS APPROPRIATE.

THE SEARCH FOR EFFECTIVENESS AND EFFICIENCY IS ONE WHICH HAS BEEN GOING ON IN THIS PROVINCE SINCE 1975.

HOWEVER, CONSULTATION WITH THE PROVINCES IN AREAS OF SHARED JURISDICTION WILL BE ESSENTIAL. AND IN THE AREA OF INDUSTRIAL SUPPORT, WHERE CUTS HAVE TENDED TO FALL DISPROPORTIONATELY ON ONTARIO, WE WILL RESERVE JUDGEMENT.

WE SUPPORT THE FEDERAL GOVERNMENT'S STRATEGY OF RELIANCE ON THE PRIVATE SECTOR FOR LONG-TERM JOB CREATION. IT IS CONSISTENT WITH OUR OWN APPROACH.

FOR SUCH A THRUST TO BE EFFECTIVE, HOWEVER, WE NEED TO CONTINUE TO UPGRADE OUR TRAINING EFFORTS TO SUPPORT PRIVATE SECTOR INITIATIVE. IN THIS CONTEXT, I AM CONCERNED ABOUT THE LEVEL OF FEDERAL COMMITMENT.

THE ADDITIONAL \$900 MILLION ALREADY ANNOUNCED FOR 1985-1986 TO SUPPORT JOB CREATION AND TRAINING, AND THE \$900 MILLION ANNOUNCED IN THE BUDGET FOR 1986-1987, DO NOT MAINTAIN PREVIOUS LEVELS OF FUNDING.

MOREOVER, ALLOCATIONS FOR GENERAL INDUSTRIAL AND CRITICAL TRADES SKILL TRAINING PROGRAMS WHICH HAVE WORKED WELL IN ONTARIO, WILL BE REDUCED BY \$78 MILLION IN 1985-1986.

THERE ARE CHALLENGES WE FACE AND SHARE
AS A SOCIETY. YOU IN THIS ROOM HAVE TOLD US
WHAT YOU EXPECT FROM US. ONTARIO HAS LISTENED.

THE RECENT FEDERAL BUDGET IS A BEGINNING
TO THE RESTORATION OF EFFECTIVENESS AND EFFICIENCY
AT THE NATIONAL LEVEL.

YOU HAVE BEEN GIVEN OPPORTUNITIES. BUT
AS LEADERS IN THE COMMUNITY YOU ALSO HAVE BEEN GIVEN
RESPONSIBILITIES.

WE ARE LOOKING TO YOU FOR A POSITIVE
EFFORT IN MEETING THE CHALLENGES WE ALL FACE, AND
WHICH AFFECT EVERY ONE OF US DIRECTLY OR INDIRECTLY.

WE SEEK YOUR SUPPORT, AND WE TRUST YOUR
COUNSEL.

THANK YOU.



REMARKS BY
THE HONOURABLE LARRY GROSSMAN
TREASURER OF ONTARIO
AND
MINISTER OF ECONOMICS

AT THE
CANADIAN CLUB OF
HAMILTON

HAMILTON CONVENTION CENTRE

JANUARY 24, 1984

NOTES ONLY
CHECK AGAINST DELIVERY



LAST MONTH, I ISSUED A PRE-BUDGET STATEMENT TO ENCOURAGE WIDER PUBLIC DISCUSSION OF FISCAL AND ECONOMIC ISSUES. IN THAT STATEMENT, I OUTLINED OUR GROWTH PROJECTIONS FOR THIS YEAR, AND THERE ARE SOME POSITIVE SIGNS.

REAL OUTPUT IS LIKELY TO GROW AT A RATE OF 4.7 PER CENT -- HIGHER THAN THE REST OF CANADA, BUT SLIGHTLY LOWER THAN THE PROJECTED GROWTH RATE IN THE UNITED STATES. TOTAL INVESTMENT IN ONTARIO SHOULD INCREASE BY MORE THAN 10 PER CENT AND HOUSING STARTS ARE EXPECTED TO RISE TO 58,000 UNITS.

INFLATION SHOULD ALSO CONTINUE ITS DOWNWARD TREND. CPI INFLATION DECLINED FROM 10.8 PER CENT IN 1982 TO 5.8 PER CENT LAST YEAR. THIS YEAR, THE OUTLOOK IS FOR AN INFLATION RATE OF 5.3 PER CENT.

JOB RECOVERY IS ALSO FAIRLY STRONG. SINCE REACHING A LOW POINT IN NOVEMBER OF 1982, 210,000 JOBS HAVE BEEN CREATED IN THE PROVINCE. MORE THAN 95 PER CENT OF THE JOBS LOST DURING THE RECESSION HAVE BEEN RECOVERED AND THE NUMBER OF UNEMPLOYED IS AT ITS LOWEST LEVEL SINCE APRIL OF 1982.

ON BALANCE, THESE ARE ALL GOOD SIGNS. THE RECOVERY IS CLEARLY UNDERWAY, AND WE NOW HAVE A MORE SECURE ECONOMIC ENVIRONMENT THAT IS HELPING TO RESTORE CONSUMER SPENDING AND INVESTOR CONFIDENCE.

AT THE SAME TIME, HOWEVER, I HAVE SOME CONCERNS.

FIRST, ALTHOUGH WE'VE BEEN SUCCESSFUL IN THE FIGHT AGAINST INFLATION, DUE IN PART TO PUBLIC SECTOR WAGE AND PRICE RESTRAINT INITIATIVES, I SENSE THAT MANY PEOPLE HAVE MISINTERPRETED GOVERNMENT GUIDELINES. I SENSE THAT MANY HAVE CONSIDERED 6 AND 5 AT THE FEDERAL LEVEL AND 5 AT THE PROVINCIAL LEVEL TO BE THE PANACEA FOR ALL THEIR WAGE PROBLEMS.

SECONDLY, I THINK THAT ONTARIO'S GUIDELINE HAS ITSELF BEEN MISUNDERSTOOD. IT HAS BEEN WIDELY VIEWED AS 5 PER CENT, RATHER THAN WHAT IT IS -- 0 TO 5 PER CENT.

AND FINALLY, I AM CONCERNED THAT THE STRENGTH OF OUR RECOVERY HAS GIVEN TOO MANY PEOPLE A MISPLACED SENSE OF SECURITY -- A SENSE THAT BECAUSE THINGS ARE GOING WELL NOW, WE DON'T HAVE TO WORRY ABOUT THE FUTURE. IN SOME CASES, THAT MISPLACED SENSE OF SECURITY HAS MASKED THE URGENT NEED TO INVEST IN PRODUCTIVITY AND COMPETITIVENESS. IN INDIVIDUAL HUMAN TERMS, A FAILURE TO INVEST TODAY MEANS FEWER JOBS, LESS BUSINESS AND LOST OPPORTUNITY TOMORROW.

THIS AFTERNOON, I'D LIKE TO SPEND A FEW MOMENTS TOUCHING ON EACH OF THESE BASIC CONCERNS.

FIRST: THE INTENT AND PURPOSE OF ONTARIO'S INFLATION RESTRAINT GUIDELINE.

MORE THAN 800,000 PEOPLE -- MANY OF WHOM ARE IN THE PUBLIC SECTOR -- ARE COMING TO THE NEGOTIATING TABLE THIS YEAR FOR THE FIRST TIME SINCE MID-1982.

AND WHILE 5 PER CENT IS ONTARIO'S GUIDELINE FOR THIS YEAR, THAT DOES NOT IMPLY THAT EVERYONE OUGHT TO EXPECT -- OR GET -- 5 PER CENT.

A COMPETITIVE SOCIETY IS DRIVEN BY MOTIVATION AND REWARD. IT RELIES ON INCENTIVE FOR MERIT AND PENALTY FOR NON-PERFORMANCE.

WHEN I LOOK AT CANADIAN SYSTEMS OF COMPENSATING EMPLOYEES IN THE PUBLIC SECTOR, IT IS CLEAR THAT IN MANY CASES MERIT PAY HAS REALLY BECOME ENTITLEMENT PAY. PERHAPS THAT IS TO BE EXPECTED.

BUT I THINK IT'S TIME FOR THE PUBLIC SECTOR TO TAKE A CLOSE LOOK AT OUR SYSTEM OF COMPENSATION. HAS THE TRUE MERIT PRINCIPLE BEEN BARGAINED AWAY? CAN WE NOT BE FOUND TO NEGOTIATE PAY INCREASES BASED ON REAL AND DEFINABLE MEASURES OF PRODUCTIVITY?

IN THE PRIVATE SECTOR, MANY PEOPLE WENT THROUGH YEARS OF DOUBLE-DIGIT SETTLEMENTS. BY AND LARGE, WHAT CAME OUT OF THOSE SETTLEMENTS WERE NOMINAL WAGE GAINS AT A HIGH RATE OF INFLATION -- RATHER THAN REAL WAGE GAINS AT A LOW RATE OF INFLATION. THINGS HAVE CHANGED. MOST AGREEMENTS HAVE BEEN MODERATED TO 6 AND 5 PER CENT -- AND SOME ARE EVEN LESS.

HOWEVER, AS NEGOTIATIONS IN THE PRIVATE SECTOR GET UNDERWAY THIS YEAR, I WOULD HOPE THAT PEOPLE DO NOT BELIEVE THAT GOVERNMENT, THROUGH ITS OWN POLICIES, IS ADVOCATING 5 PER CENT FOR ALL.

IN THE PRIVATE SECTOR -- WHERE INTERNATIONAL COMPETITIVENESS, TECHNOLOGICAL ADVANCE AND PRODUCTIVITY IMPROVEMENT ARE THE TRUE MEASURES OF SUCCESS OR FAILURE -- THE MARKET IMPOSES THE IMPERATIVE OF INCENTIVE AND REWARD.

THIS IMPLIES SOME PROBLEMS AROUND THE BARGAINING TABLE. BY AVOIDING THE MORE DIFFICULT ISSUES OF MERIT AND PERFORMANCE, NEGOTIATIONS HAVE BEEN MADE EASIER FOR BOTH LABOUR AND MANAGEMENT. BUT I, FOR ONE, BELIEVE THAT THE ESSENCE OF A FREE ENTERPRISE, COMPETITIVE SYSTEM LIES NOT ONLY IN INCREASED PROFITS TO REWARD BUSINESS EXCELLENCE, BUT IN HIGHER WAGES TO REWARD OUTSTANDING EMPLOYEES.

THE SECOND CONCERN I HAVE IS THE PERCEPTION OF ONTARIO'S GUIDELINE. AS ALWAYS HAPPENS, SINGLE NUMBERS -- IN OUR CASE 5 PER CENT -- BECOME THE FOCUS OF ATTENTION.

THE GUIDELINE I ANNOUNCED IN NOVEMBER WAS 0 TO 5 -- NOT 5 PER CENT. WE SELECTED THIS RANGE FOR SOME CLEAR AND SPECIFIC REASONS.

THE FEDERAL PROGRAM OF 6 AND 5, AS WE'VE NOW DISCOVERED, WAS IN MANY INSTANCES 9 AND 8, WHEN MERIT WAS BUILT IN. IN THIS YEAR'S PROGRAM, WE DID NOT WANT 5 PER CENT TO BECOME THE FLOOR. TO QUOTE FROM THE STATEMENT INTRODUCING THE LEGISLATION: "OUR GRANTS AND TRANSFERS TO MUNICIPALITIES, SCHOOL BOARDS, UNIVERSITIES AND OTHER PUBLICLY-FUNDED INSTITUTIONS, AS WELL AS ALLOCATIONS FOR OUR OWN CIVIL SERVANTS, WILL PROVIDE FOR AVERAGE COMPENSATION INCREASES OF UP TO 5 PER CENT FOR A GROUP...IN A BARGAINING UNIT, IT WOULD BE POSSIBLE TO PROVIDE LARGER PERCENTAGE INCREASES FOR SOME EMPLOYEES, AS LONG AS THE AVERAGE INCREASE FOR THE GROUP IS AT OR BELOW THE 5 PER CENT GUIDELINE."

FURTHER, WE SELECTED THE 0 TO 5 PER CENT RANGE BECAUSE WE BELIEVE IT IS IMPORTANT FOR GOVERNMENTS AND OTHER RECIPIENTS OF PUBLIC FUNDS -- INCLUDING SCHOOL BOARDS, UNIVERSITIES AND HOSPITALS -- TO DETERMINE, THROUGH BARGAINING:

(A) WHO SHOULD GET MORE AND WHO SHOULD GET LESS;

AND

(B) WHETHER THE 5 PER CENT INCREASE WE'VE ALLOWED FOR OVERALL COMPENSATION SHOULD BE SPENT ON WAGES AND SALARIES OR WHETHER IT SHOULD BE SPENT IN SOME OTHER AREA OF THEIR HOSPITAL, UNIVERSITY, MUNICIPALITY OR SCHOOL BOARD.

THEY HAVE THE FLEXIBILITY TO SET THEIR OWN PRIORITIES AND THEY SHOULD DO SO.

TO THOSE WHO ARGUE THAT THE 0 TO 5 RANGE IS PARSIMONIOUS OR TOO RESTRICTIVE, LET ME SAY THIS: THERE ARE MANY PEOPLE IN THE HAMILTON AREA WHO ARE NOT GETTING A 5 PER CENT WAGE INCREASE THIS YEAR.

THERE ARE 24,000 PEOPLE IN THIS CITY WITHOUT JOBS WHO CANNOT NEGOTIATE ANY PAY INCREASE. THERE ARE MANY WHO SUCCEEDED IN NEGOTIATING PAY INCREASES, BUT WHO DIDN'T BENEFIT FROM THOSE INCREASES WHEN THEY WERE LAID OFF. STILL OTHERS ACCEPTED PAY FREEZES OR IN SOME CASES CUTS.

THERE ARE MANY REASONS WHY THAT HAPPENED. THE RESULT IS THAT GIVEN THE LIMITED RESOURCES AVAILABLE, LABOUR AND MANAGEMENT RECOGNIZED THE COMPETITIVE PRESSURE TO ALLOCATE THOSE RESOURCES ELSEWHERE. TO SOME EXTENT, THAT APPROACH ALSO APPLIES TO THE PUBLIC SECTOR.

AS I HAVE SAID SINCE LAST NOVEMBER, THE RANGE IS 0 TO 5 PER CENT. AND I THINK IT WOULD BE A GREAT MISTAKE FOR NEGOTIATIONS TO BE GUIDED BY ANY OTHER PREMISE,

AT THE SAME TIME, LET ME PAUSE TO SAY THAT WHILE A GROUP'S TOTAL COMPENSATION INCREASE MUST REMAIN WITHIN THE 0 TO 5 PER CENT RANGE, IT COULD BE THAT SOME SHOULD GET MORE THAN 5 PER CENT. NO ONE SHOULD BE DENIED THE RIGHT TO ARGUE WHY HE OR SHE OUGHT TO GET MORE THAN 5 PER CENT. AND SOME, AS I HAVE SAID, OUGHT TO GET MORE. THAT IS WHAT BARGAINING IS ALL ABOUT. BUT IT DOES NOT MEAN THAT THE ENTIRE GROUP -- OR THE MAJORITY OF A GROUP -- SHOULD BE ABOVE THE 5 PER CENT RANGE.

I ALSO BELIEVE THAT AS MUNICIPALITIES AND SCHOOL BOARDS ENTER INTO THEIR OWN NEGOTIATIONS, THEY, TOO, HAVE A SPECIAL OBLIGATION. LEADERSHIP IN THE FIGHT AGAINST INFLATION CANNOT BE LEFT TO OTHER LEVELS OF GOVERNMENT. IT MAY BE EASY OR EXPEDIENT TO BELIEVE THAT MILL RATES, WHICH ARE PRESUMED TO INCREASE EVERY YEAR, CAN GO UP ONCE AGAIN. IF IT ISN'T HARD TO PASS ON INCREASED COSTS TO RATE PAYERS, TOO OFTEN THOSE COSTS ARE PASSED ON.

THAT'S PRECISELY WHAT HAPPENED IN THE PRIVATE SECTOR -- A SITUATION THAT LARGELY GAVE RISE TO DOUBLE-DIGIT INFLATION. SO WHAT WE MUST BEAR IN MIND IS THIS: JUST BECAUSE HIGHER COSTS CAN BE PASSED ON -- BE IT TO A CONSUMER OR A TAXPAYER -- DOESN'T MAKE IT RIGHT TO PASS THEM ON.

THE FINAL AREA I'D LIKE TO TOUCH ON TODAY IS MY CONCERN THAT A MISPLACED SENSE OF SECURITY HAS BEEN CREATED BY THE STRENGTH OF THE RECOVERY.

YOU MAY WONDER WHY I WOULD CHOOSE TO DELIVER THAT KIND OF MESSAGE IN HAMILTON. NO ONE HAS TO LECTURE THE PEOPLE OF THIS AREA -- PEOPLE WHOSE BUSINESSES SUFFERED THE WORST INDUSTRIAL CONSEQUENCES OF THE RECESSION AND WHOSE INDUSTRIES HAVE NOT RECOVERED AS QUICKLY AS SOME SECTORS OF THE ECONOMY.

NO ONE HAS TO REMIND THE PEOPLE IN THIS ROOM THAT THE FLAGSHIPS OF SOME OF ONTARIO'S KEY INDUSTRIES, LIKE CHRYSLER, LIKE MASSEY FERGUSON AND EVEN LIKE STELCO -- FIRMS THAT HAD SEEMED UNSHAKABLE -- WERE SHAKEN. AND SOME -- FORTUNATELY NOT INCLUDING STELCO -- ALMOST FAILED. IN FEW OTHER COMMUNITIES WERE THE PAINFUL REALITIES OF RECESSION MORE ACUTE THAN HERE, IN THIS COMMUNITY.

THE FACT IS: WHILE OUR ECONOMY IS RECOVERING, UNEMPLOYMENT IS STILL UNACCEPTABLY HIGH. WHILE WE HAVE TURNED THE CORNER, THE CHALLENGE OF INTERNATIONAL COMPETITION IS STILL VERY TOUGH.

CERTAINLY INFLATION AND INTEREST RATES HAVE DECLINED. AND LAST YEAR ONTARIO OUTPACED THE REST OF CANADA IN EMPLOYMENT GROWTH, IN RETAIL SALES AND IN HOUSING STARTS.

MARKETS ARE IMPROVING. SALES ARE UP. DOFASCO HAS RECALLED 2,100 WORKERS SINCE NOVEMBER OF 1982 AND IS NOW WORKING AT CLOSE TO CAPACITY. WESTINGHOUSE HAS PLANS TO HIRE AN ADDITIONAL 600 EMPLOYEES. THOSE ARE ENCOURAGING SIGNS.

YET AT THE SAME TIME, WE ARE STILL SEEING ANALYSES WHICH POINT TO A DECLINE IN CANADA'S COMPETITIVENESS IN SOME KEY AREAS.

I THINK IT IS BOTH UNJUSTIFIED AND UNFAIR FOR THOSE WHO TALK ABOUT PRODUCTIVITY TO POINT TO OUR LABOUR FORCE AND SUGGEST THAT THEY ARE NOT AS HARD WORKING, AS DEDICATED OR AS COMPETENT AS OUR COMPETITORS.

CANADIAN WORKERS CAN'T BE MORE PRODUCTIVE THAN THE MACHINERY THEY WORK WITH, THE PLANTS THEY WORK IN AND THE MANAGEMENT THEY WORK UNDER. I THINK FEW CANADIAN BUSINESSES AND INDUSTRIES ARE ON THE CUTTING EDGE IN THAT REGARD.

THE QUESTION NOW IS THIS: HOW LONG ARE WE GOING TO WAIT? WE ARE INTO A NEW ERA OF MANUFACTURING -- WHERE PRODUCTION IS GUIDED BY COST AND QUALITY, NOT COMMITMENT TO NATIONAL BORDERS.

OUR COMPETITORS -- IN THE UNITED STATES AND OVERSEAS -- HAVE PUT IN NEW EQUIPMENT DURING THE EARLY STAGES OF THE RECOVERY; SOME OF IT GOVERNMENT-FINANCED, MOST OF IT NOT.

WE CANNOT AFFORD TO BE COMPLACENT OR RELUCTANT TO INVEST. FOR IF WE DO LITTLE MORE THAN WATCH WHILE UNUSED CAPACITY IS TAKEN UP -- IF WE FAIL TO INVEST NOW IN WAYS OF INCREASING CAPACITY -- THEN EXPANDING MARKET DEMAND WILL BE MET BY OUR COMPETITORS. IT WILL BE MET BY THOSE WITH UP-TO-DATE EQUIPMENT, BY THOSE WHO HAVE ADOPTED ADVANCED TECHNOLOGY AND PROGRESSIVE MANAGEMENT AND INDUSTRIAL RELATIONS.

THE ISSUE IS NOT SIMPLY INCREASED PROFITS THIS YEAR. RATHER, IT IS THE COMPETITIVE POSITION WE WILL BE IN AT THE END OF THIS DECADE.

THE MASSIVE ECONOMIC TRANSFORMATION THAT BEGAN A FEW YEARS AGO IS NOW WELL UNDERWAY. IN 1984 THE CHALLENGES WILL BE EVEN MORE DIFFICULT, AND MORE COMPLEX. TRANSITION ALWAYS SIGNALS JOB LOSS. AT THE SAME TIME, IT SIGNALS JOB GAIN. CAN WE -- ALL OF US -- TAKE THE APPROPRIATE STEPS NOW TO ENSURE THAT THE GAINS EXCEED THE LOSSES?

IF WE SIT ON THE SIDELINES OF THE TRANSFORMATION -- AND BY THAT I MEAN COASTING ON THE AMERICAN RECOVERY -- THEN GAINS WILL NOT EXCEED LOSSES UNTIL LATE IN THE DECADE. WHILE OUR GPP MAY IMPROVE, OUR EMPLOYMENT RECORD WILL NOT. WHILE WE WILL BECOME SLIGHTLY MORE COMPETITIVE, THE GAINS WILL BE SLOW.

ALTERNATIVELY, WE CAN INVEST IN THE TRANSFORMATION NOW. WE CAN INVEST IN EQUIPMENT AND TECHNOLOGY. WE CAN WORK TO ENSURE THAT JOB GAINS EXCEED JOB LOSSES EARLY.

I BELIEVE IT IS IMPORTANT TO DISCUSS THESE KINDS OF ISSUES IN HAMILTON. BECAUSE LABOUR IS A STRONG AND IMPORTANT FORCE IN THIS COMMUNITY, LABOUR IS JUSTIFIED IN FEARING THE ECONOMIC TRANSFORMATION. FOR IT WILL TAKE THEIR JOBS.

THE QUESTION IS: WILL INDUSTRIAL RESTRUCTURING RECOVER THOSE JOBS? I BELIEVE IT CAN. AND I BELIEVE IT CAN BE SOON.

IN BUDGET AND ECONOMIC POLICIES, WE WILL DO EVERYTHING WE CAN TO MAKE THAT HAPPEN. WE WILL NOT STAND BY AND WATCH A GENERATION OF YOUNG PEOPLE OR A GENERATION OF OLDER WORKERS PASSED OVER IN THE NAME OF PROGRESS.

BUT TO DO THAT, WE NEED AGGRESSIVE BUSINESS LEADERS, COURAGEOUS UNION LEADERS AND PEOPLE WHO ARE WILLING TO FACE REALITY.

OUR LARGE INSTITUTIONS -- BY THAT I MEAN GOVERNMENT, BUSINESS AND LABOUR UNIONS -- MUST RESPOND TO THESE NEW PROBLEMS WITH NEW APPROACHES. THE OLD WAYS, THE OLD RESPONSES, THE OLD ANSWERS, THE OLD RHETORIC, THE OLD POSTURING SIMPLY WILL NOT DO.

I HAVE GREAT BELIEF IN THE CAPACITY OF OUR PEOPLE -- BE THEY IN THE BOARDROOMS OR ON THE ASSEMBLY LINES -- TO DO THINGS DIFFERENTLY, TO DISCOVER AND IMPLEMENT NEW WAYS.

OUR MAJOR EMPLOYERS, UNIONS, GOVERNMENTS AND ORGANIZATIONS, MUST NOT ACT AS OBSTACLES TO OUR ABILITY TO RESPOND.

WE CANNOT BUILD TRENCHES AROUND OUR CURRENT INDUSTRIAL STRUCTURE -- AROUND EXISTING JOBS AND INVESTMENTS. WE MUST BUILD BRIDGES ACROSS THE TRENCHES -- INVESTING IN NEW TECHNOLOGY, NEW APPROACHES TO WORK, NEW BUSINESS AND NEW OPPORTUNITY.

I AM CONFIDENT ABOUT THE FUTURE. FOR ONTARIO IS A BALANCED AND MANAGEABLE INDUSTRIAL SOCIETY. WE ARE LARGE ENOUGH TO COMPETE -- YET SMALL ENOUGH TO ADAPT.

WE HAVE THE INFRASTRUCTURE, THE PRODUCTIVE WORKFORCE, THE NATURAL RESOURCES AND THE GEOGRAPHIC LOCATION. WE CAN BE COMPETITIVE -- IN PRICE AND QUALITY -- IN MANY MARKETS.

AND WE CAN ADAPT. WE CAN ADAPT TO TECHNOLOGICAL CHANGE, TO INDUSTRIAL CHANGE, TO INTERNATIONAL CHANGE. WE CAN ACCEPT NEW IDEAS AND CREATIVITY -- WHILE DRAWING FROM THE STABILITY OF OUR PAST.

WE CAN DEAL SUCCESSFULLY WITH OUR PROBLEMS. WE CAN
DEAL SUCCESSFULLY WITH THE CHALLENGE OF TRANSFORMATION
BUT IT WILL REQUIRE GREAT EFFORT, SOME SACRIFICE AND,
FOR BUSINESS AND LABOUR, CONSIDERABLE RISK.

IF YOU HAVE THE COURAGE TO ACCEPT THAT RISK WE WILL
EMERGE STRONGER AND WEALTHIER. WE WILL ACCEPT OUR SHARE
OF THE RISK. WILL YOU?

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REMARKS BY
THE HONOURABLE LARRY GROSSMAN
TREASURER OF ONTARIO
AND
MINISTER OF ECONOMICS

TO THE
ROYAL COMMISSION ON THE ECONOMIC UNION
AND DEVELOPMENT PROSPECTS FOR CANADA

DECEMBER 5, 1983
TORONTO HILTON HARBOUR CASTLE HOTEL
TORONTO

NOTES ONLY

CHECK AGAINST DELIVERY

IN MY REMARKS THIS MORNING I WANT TO HIGHLIGHT SEVERAL KEY THEMES FROM OUR BRIEF RATHER THAN SUMMARIZE IT. IN PARTICULAR, I WANT TO DEAL WITH THE FUNDAMENTAL TRANSFORMATION THAT IS OCCURRING IN OUR ECONOMY AND ITS IMPLICATIONS IN FOUR POLICY AREAS WHERE ACTION IS REQUIRED TO SECURE OUR ECONOMIC FUTURE. THOSE AREAS ARE:

- . INVESTING IN HUMAN RESOURCES;
- . BUILDING ON REGIONAL COMPARATIVE ADVANTAGES;
- . ENCOURAGING ENTERPRISE AND INNOVATION; AND
- . DEVELOPING A CONSENSUS AMONG BUSINESS, LABOUR AND GOVERNMENT.

THE CANADIAN ECONOMY IS IN THE MIDST OF A MAJOR TRANSFORMATION.

THE SIGNS OF THIS TRANSFORMATION ARE EVERYWHERE -- IN THE SLOWER GROWTH OF EMPLOYMENT IN MANUFACTURING IN CANADA; IN THE CONTINUED GROWTH OF THE SERVICE SECTOR; IN THE INCREASING SOPHISTICATION OF PRODUCTION TECHNOLOGY IN CANADIAN FACTORIES; IN THE GROWTH AND SUCCESS OF OUR HIGH TECHNOLOGY INDUSTRIES.

EVIDENCE OF THIS CAN BE FOUND IN THE AUTOMOTIVE AND AGRICULTURAL EQUIPMENT INDUSTRIES WHICH ARE NOW MEETING THE CRITICAL CHALLENGE OF RESTRUCTURING BOTH IN ONTARIO AND THROUGHOUT NORTH AMERICA. CANADIAN FIRMS IN NEWER INDUSTRIES --PARTICULARLY IN ELECTRONICS AND COMMUNICATIONS EQUIPMENT -- HAVE ACHIEVED MAJOR SUCCESS, BOTH IN DOMESTIC AND INTERNATIONAL MARKETS. THIS, TOO, IS PART OF THE TRANSFORMATION NOW UNDERWAY. THE PEOPLE OF ONTARIO HAVE BEEN AFFECTED BY THESE CHANGES.

THE REASONS FOR THESE PROFOUND CHANGES ARE MANY. FALLING TARIFF BARRIERS AND THE RISE OF NEWLY INDUSTRIALIZED COUNTRIES IN THE POST WAR PERIOD HAVE INTENSIFIED INTERNATIONAL COMPETITION AND INCREASED THE VOLUME OF TRADE. EQUALLY IMPORTANT IS THE IMPACT OF NEW TECHNOLOGIES.

CANADA, IN PARTICULAR, WILL BE AFFECTED BY THIS CHANGING ENVIRONMENT. WE ARE AN OPEN ECONOMY, AND THE SIGNIFICANCE OF TRADE HAS INCREASED DRAMATICALLY IN THE LAST TWENTY YEARS.

THE CHALLENGES THAT THIS COUNTRY FACES OVER THE REST OF THE CENTURY WILL BE UNPRECEDENTED. OUR SUBMISSION TO THE ROYAL COMMISSION STRESSES THAT MAJOR ADJUSTMENT WILL BE REQUIRED AS THE CANADIAN ECONOMY ADAPTS TO INCREASED COMPETITION, NEW TECHNOLOGIES, AND THE RATIONALIZATION OF INDUSTRY IN NORTH AMERICA.

A DYNAMIC ECONOMY WELCOMES CHANGE. ALL OF US -- IN GOVERNMENT, IN BUSINESS AND IN LABOUR -- HAVE A RESPONSIBILITY TO ENSURE THAT OUR ECONOMY BENEFITS FROM THAT TRANSFORMATION IN TERMS OF MORE AND BETTER JOBS, REAL INCOME GROWTH AT A LOW RATE OF INFLATION AND AN EXPANDING RANGE OF OPPORTUNITIES, PARTICULARLY FOR WOMEN AND YOUNG PEOPLE.

GOVERNMENTS MUST FACILITATE AND INVEST IN THE TRANSFORMATION RATHER THAN TO REACT TO THAT PROCESS. THIS WILL REQUIRE THE DEVELOPMENT OF A CONSENSUS ON THE DIRECTION AND PROCESS OF CHANGE AMONG THE MAJOR GROUPS IN OUR SOCIETY --LABOUR, BUSINESS, AND GOVERNMENT.

INVESTING IN OUR HUMAN RESOURCES

WE MUST DO MORE THAN INVEST IN CAPITAL STOCK. HUMAN RESOURCES ARE THE KEY TO ENSURING THAT THE CANADIAN ECONOMY RESPONDS TO CHANGE. BUT THE FUTURE IS SHAPED BY THE PRESENT. NOTHING WOULD BE MORE DETRIMENTAL TO THE ACHIEVEMENT OF OUR LARGER GOALS THAN A LEGACY OF DISCOURAGED, UNEMPLOYED WORKERS.

THE DECISIONS THAT GOVERNMENTS MAKE OVER THE NEXT FEW MONTHS CONCERNING EMPLOYMENT AND SKILL TRAINING WILL, IN LARGE MEASURE, SHAPE AND DETERMINE THE CHARACTER OF THE TRANSFORMATION WE ARE EXPERIENCING. IT IS ESSENTIAL THAT THE JOBS THAT ARE CREATED BE PERMANENT AND PRODUCTIVE. GOVERNMENTS MUST NOT SQUANDER THE FUTURE ON TEMPORARY, "MAKE WORK" SCHEMES.

JOB CREATION SHOULD BE BASED PRIMARILY IN THE PRIVATE SECTOR. GOVERNMENT SHOULD SUPPORT PRIVATE SECTOR GROWTH AND DEVELOP PROGRAMS FOR THOSE SPECIFIC GROUPS IN DANGER OF BEING LEFT BEHIND.

AN ESPECIALLY CRITICAL PROBLEM IS YOUTH UNEMPLOYMENT. OUR STRATEGY MUST BE TO TRAIN YOUNG PEOPLE AND TO PROVIDE THE EMPLOYMENT EXPERIENCE TO ENABLE THEM TO FIND A PERMANENT PLACE IN THE WORK FORCE.

EQUALLY IMPORTANT, WE MUST ENSURE THAT RECOVERY IN THE NEAR TERM AND GROWTH IN THE YEARS AHEAD PROVIDES AN EXPANDING RANGE OF OPPORTUNITIES FOR WOMEN, WHO WILL CONTINUE TO ENTER THE LABOUR MARKET IN INCREASING NUMBERS. WE MUST ENSURE THAT THE ECONOMY BENEFITS FROM THE GREATER INVOLVEMENT OF WOMEN IN THE WORK FORCE.

WITH UNEMPLOYMENT PROJECTED TO REMAIN HIGH AND WITH TRAINING A MAJOR PRIORITY AS WE ADAPT TO CHANGE, GOVERNMENT MUST CONTINUE TO EXPAND HUMAN RESOURCE PROGRAMS. DUPLICATION AND CONFLICT OF PROGRAM OBJECTIVES IN THIS POLICY AREA, ABOVE ALL, MUST BE AVOIDED.

INITIATIVES BY THE TWO LEVELS OF GOVERNMENT SHOULD BE GUIDED BY FOUR PRINCIPLES.

FIRST, THE FEDERAL AND PROVINCIAL GOVERNMENTS SHOULD HARMONIZE THEIR JOB CREATION EFFORTS. FOR EXAMPLE, IN THE PAST ONTARIO HAS CONCENTRATED ON YOUTH EMPLOYMENT. EXPENDITURES ON JOB CREATION PROGRAMS FOR YOUTH BY ONTARIO ARE ABOUT THE SAME MAGNITUDE AS THE TOTAL FEDERAL COMMITMENT TO YOUTH EMPLOYMENT PROGRAMS FOR THE WHOLE COUNTRY. THE FEDERAL GOVERNMENT HAS INDICATED ITS INTENTION TO EXPAND ITS INVOLVEMENT IN THIS AREA. IF THAT IS INDEED THE CASE, IT SHOULD PROCEED IN CLOSE COOPERATION WITH THE PROVINCES.

SECOND, FEDERAL AND PROVINCIAL GOVERNMENTS SHOULD COOPERATE TO ENSURE THE EFFECTIVE DELIVERY OF PROGRAMS. THIS MEANS FOCUSSED ON THE LEVEL OF GOVERNMENT THAT HAS THE BEST CAPACITY TO MEET THE NEEDS OF THE COMMUNITY OR GROUP BEING SERVED. EMPLOYMENT PROGRAMS THAT RELY ON THE TAX SYSTEM MIGHT BE BETTER DELIVERED BY THE FEDERAL GOVERNMENT. BUT PROGRAMS TAILORED TO SPECIFIC COMMUNITY GROUP NEEDS MAY BE MORE SUITED TO PROVINCIAL DELIVERY. IDEALLY, THE EMPHASIS SHOULD BE ON COOPERATIVE APPROACHES THAT MAKE USE OF THE ADVANTAGES OF BOTH ORDERS OF GOVERNMENT. ONTARIO REGARDS THE RECENT CANADA-ONTARIO EMPLOYMENT DEVELOPMENT (COED) PROGRAM AS A SUCCESSFUL EXAMPLE OF THIS APPROACH.

MANPOWER TRAINING IS A FEDERAL RESPONSIBILITY. YET IT IS THE PROVINCES, WITH OUR TRAINING INSTITUTIONS AND WITH OUR MORE DETAILED KNOWLEDGE OF LOCAL CONDITIONS, THAT CAN BEST DELIVER TRAINING. ASSESSING TRAINING NEEDS MUST INVOLVE THE COMBINED EFFORTS OF THE FEDERAL GOVERNMENT, THE PROVINCES, LABOUR AND BUSINESS.

THIRDLY, GOVERNMENTS MUST AVOID UNNECESSARY DUPLICATION IN JOB CREATION EXPENDITURES. BOTH ONTARIO AND THE FEDERAL GOVERNMENT, FOR EXAMPLE, HAVE IMPLEMENTED CAPITAL ACCELERATION PROGRAMS. WITHOUT CONSULTATION ON THE TIMING, LOCATION AND TARGET GROUPS, TOO MUCH ACTIVITY MIGHT BE CONCENTRATED ON SOME COMMUNITIES OR GROUPS AT THE EXPENSE OF OTHERS.

FINALLY, NATIONAL JOB CREATION AND TRAINING PRIORITIES SHOULD BE THE PRODUCT OF CONSULTATION BETWEEN THE PROVINCES AND THE FEDERAL GOVERNMENT TO ENSURE THAT EFFORTS ARE DIRECTED TO REAL PROBLEMS.

BUILDING ON OUR REGIONAL COMPARATIVE ADVANTAGES

THE NATURE OF THE TRANSFORMATION WE WILL BE UNDERGOING AND THE SIZE OF INVESTMENT THAT WILL BE REQUIRED BOTH IN OUR CAPITAL STOCK AND IN OUR HUMAN RESOURCES ALSO HAS IMPLICATIONS FOR REGIONAL POLICY.

CANADA HAS IN THE PAST TAKEN A TWO-PRONGED APPROACH TO THE PROBLEM OF REGIONAL DISPARITIES.

FIRST, A SYSTEM OF EQUALIZATION HAS BEEN PUT IN PLACE, TO MODERATE FISCAL DISPARITIES AND TO PROVIDE ROUGHLY EQUAL ACCESS TO PUBLIC SERVICES ACROSS CANADA.

SECONDLY, PROGRAMS HAVE BEEN DEVELOPED TO STIMULATE ECONOMIC DEVELOPMENT IN THOSE REGIONS OF THE COUNTRY WHERE UNEMPLOYMENT HAS BEEN HIGHEST.

A LARGE REDISTRIBUTION EFFORT IS A FUNDAMENTAL PRINCIPLE OF CONFEDERATION, AND THE GOVERNMENT OF ONTARIO REAFFIRMS ITS COMMITMENT TO THIS PRINCIPLE. BUT THE APPROACH TO DEVELOPMENT POLICY MUST FOCUS ON DEVELOPING THE COMPARATIVE ADVANTAGES OF EACH REGION.

GROWTH IN THE 1980s AND 1990s WILL BE LESS ROBUST THAN IN THE POST-WAR PERIOD WHEN REGIONAL DEVELOPMENT POLICY WAS INTRODUCED. INCREASED INTERNATIONAL COMPETITION WILL PUT A PREMIUM ON EFFICIENCY. REGIONAL DEVELOPMENT POLICY SHOULD BE BASED ON COMPETITIVENESS AND MUST BE VIEWED AGAINST THE OVERALL OBJECTIVE OF NATIONAL ECONOMIC GROWTH.

IT MUST ALSO BE RECOGNIZED THAT CHANGE WILL AFFECT ALL SECTORS. THE POST-WAR PROSPERITY OF THE CANADIAN ECONOMY HAS DEPENDED ON A BROADLY-BASED AND DIVERSIFIED ECONOMY, ON BOTH HEALTHY RESOURCE MARKETS AND A THRIVING MANUFACTURING SECTOR. INVESTMENT AND COMPETITIVENESS IN CANADA'S INDUSTRIAL HEARTLAND WILL BE AS IMPORTANT AS -- AND WILL PROVIDE BALANCE TO -- RESOURCE DEVELOPMENT IN ATTAINING NATIONAL ECONOMIC GROWTH IN THE FUTURE.

THE PRIVATE SECTOR, TOO, HAS A ROLE TO PLAY IN REGIONAL POLICY. FINANCIAL INSTITUTIONS HAVE AN OBLIGATION TO SUPPORT THE GROWTH OF SMALL AND MEDIUM SIZED BUSINESS IN OUTLYING COMMUNITIES. THE STRENGTH AND SIZE OF OUR INSTITUTIONS ARE A GREAT ADVANTAGE TO OUR COUNTRY. THESE ADVANTAGES HAVE, HOWEVER, NOT ALWAYS BEEN FELT BY SMALL BUSINESS ENTREPRENEURS IN SMALLER COMMUNITIES. GOVERNMENTS HAVE RESPONDED TO THIS BY PROVIDING LENDER OF LAST RESORT MECHANISMS IN, FOR EXAMPLE, EASTERN AND NORTHERN ONTARIO. TO SUPPORT REGIONAL DEVELOPMENT WE WILL NEED OUR FINANCIAL INSTITUTIONS, INCLUDING SCHEDULE B BANKS, TO BE AGGRESSIVE PARTICIPANTS IN THESE AREAS.

ENCOURAGING ENTERPRISE AND INNOVATION

I HAVE SPOKEN OF THE NEED TO INVEST IN HUMAN RESOURCES AND TO BUILD ON REGIONAL COMPETITIVENESS IF WE ARE TO BENEFIT FROM THE TRANSFORMATION OF OUR ECONOMY. A THIRD IMPERATIVE IS TO ENSURE THAT WE ENCOURAGE ENTERPRISE AND INNOVATION. THERE MUST BE CONFIDENCE IN THE ABILITY OF OUR INSTITUTIONS TO RESPOND TO CHANGE, CERTAINTY AND LOGIC IN OUR TAX AND REGULATORY SYSTEMS, AND A SYSTEM OF SECURITY FOR THOSE WHO WILL BE EXPOSED TO DISLOCATION.

I BELIEVE THAT THE RECORD OF INSTITUTIONAL RESPONSE TO CHANGING ECONOMIC CONDITIONS IN CANADA HAS BEEN A GOOD ONE. THERE HAS BEEN EFFECTIVE PARLIAMENTARY ACTION IN THE NATIONAL INTEREST, LEGISLATIVE ACTION AT THE REGIONAL LEVEL AND FEDERAL-PROVINCIAL COOPERATION ON A NUMBER OF ISSUES. BUT WHILE THE FEDERAL SYSTEM HAS PROVED FLEXIBLE AND ADAPTABLE, CANADIAN INSTITUTIONS HAVE BEEN SUBJECT TO SEVERE STRAIN IN THE PAST DECADE, PARTICULARLY AS A RESULT OF OIL PRICE SHOCKS AND HIGH UNEMPLOYMENT.

OUR SUBMISSION TO THE COMMISSION REFERS TO THE NEED TO HARMONIZE OUR TAXATION SYSTEMS AND SYNCHRONIZE OUR APPROACH TO STABILIZATION POLICY. OUR FISCAL, ECONOMIC AND REGULATORY POLICIES MUST ALL ENCOURAGE ENTERPRISE AND INNOVATION. IN TRYING TO SERVE TOO MANY MASTERS AND ACHIEVE TOO MANY OBJECTIVES, THESE POLICIES HAVE OFTEN INADVERTENTLY, AND SOMETIMES INTENTIONALLY, SACRIFICED ENTERPRISE AND INNOVATION.

FOR EXAMPLE, RULINGS OF THE CANADIAN RADIO AND TELEVISION COMMISSION HAVE PREVENTED THE CANADIAN CABLE TELEVISION INDUSTRY FROM REALIZING ITS FULL POTENTIAL. WE SUPPORT THEIR OBJECTIVES BUT WONDER WHETHER THE RIGHT BALANCE WAS ACHIEVED. AND THE UNCERTAINTY ABOUT FEDERAL INTENTIONS WITH RESPECT TO CANADIAN COMPETITION POLICY, WHICH HAS BEEN AN ISSUE FOR MANY YEARS, IS NOT CONSISTENT WITH THE KIND OF POSITIVE, CONFIDENCE-INSPIRING ENVIRONMENT WHICH WE BELIEVE GOVERNMENTS SHOULD BE CREATING.

PERHAPS THE MOST IMPORTANT DETERMINANT OF A SECURE ENVIRONMENT IS COOPERATION, NOT ONLY BETWEEN GOVERNMENTS, BUT BETWEEN ALL SECTORS OF THE ECONOMY.

DEVELOPING A CONSENSUS AMONG BUSINESS, LABOUR AND
GOVERNMENT

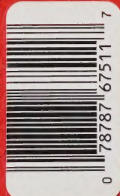
IN FORMULATING POLICIES AND ADAPTING OUR INSTITUTIONS TO MEET THE CHALLENGE OF THE FUTURE, THERE MUST BE NO LIMITS ON OUR DETERMINATION TO FIND CO-OPERATIVE SOLUTIONS TO OUR PROBLEMS. THE FEDERAL AND PROVINCIAL GOVERNMENTS SERVE THE SAME ULTIMATE GOALS AND OBJECTIVES IN MAKING ECONOMIC POLICY AND SETTING ECONOMIC PRIORITIES. WE ARE NOT IN COMPETITION.

GOVERNMENTS MUST ALSO REACH OUT TO PRIVATE CITIZENS, TO BUSINESSES AND LABOUR TO INVOLVE THEM MORE FULLY IN THE POLICY-MAKING PROCESS. IN TURN, IT IS THE RESPONSIBILITY OF THESE GROUPS TO BECOME ACTIVE PARTICIPANTS.

EACH SECTOR HAS A UNIQUE ROLE TO PLAY IN THE TRANSFORMATION OF OUR ECONOMY. THE FEDERAL GOVERNMENT IS ULTIMATELY RESPONSIBLE FOR NATIONAL POLICIES. THE PRIVATE BUSINESS SECTOR ULTIMATELY MAKES THE DECISIONS TO INTRODUCE NEW TECHNOLOGIES, ENTER NEW MARKETS AND BUILD NEW FACILITIES. LABOUR UNIONS HAVE RESPONSIBILITIES TO PROTECT THE INTERESTS OF THEIR MEMBERS IN THE FACE OF CHANGE AND TO ENSURE THAT THEY SHARE IN THE BENEFITS TO BE GAINED FROM TRANSFORMATION. THE PROVINCES HAVE CONSTITUTIONAL RESPONSIBILITIES TO MAINTAIN AND ENHANCE THE QUALITY OF LIFE FOR THEIR RESIDENTS, TO PROVIDE EDUCATION, TRAINING, HEALTH CARE AND VITAL SOCIAL SERVICES.

THESE ARE NOT INCOMPATIBLE ROLES, EITHER BY DEFINITION OR BY CIRCUMSTANCE. THE PERFORMANCE OF EACH PLAYER CAN BE ENHANCED BY CO-OPERATIVE EFFORT. INDEED, THE GOALS OF ECONOMIC STABILITY AND REAL ECONOMIC GROWTH ARE MUTUALLY SERVED AND MUTUALLY REINFORCED BY CO-OPERATIVE INTERACTION IN ALL THESE ENDEAVOURS. IT IS SURELY TIME TO MOVE FROM CONFERENCES AND STUDIES ON COOPERATION TO MEANINGFUL CONSULTATIONS AND A LONG OVERDUE CONSENSUS.

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